

Attorneys for Debtor BCE West, L.P., et al.

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EXHIBIT E – OFFICERS & DIRECTORS

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I. INTRODUCTION

Boston Chicken, Inc. ("BCI"), BC Real Estate Investments, Inc. ("BCREI"), and the Boston Chicken Affiliates (as defined in the Plan, and together with BCI and BCREI, the "Companies" or "Debtors") are furnishing this disclosure statement and the Exhibits hereto ("Disclosure Statement"), the accompanying Ballots and the related materials delivered herewith pursuant to Section 1126(b) of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"), in connection with their solicitation (the "Solicitation") of acceptances of the proposed joint reorganization plan described herein (the "Plan," a copy of which is annexed to this Disclosure Statement as **Exhibit A**). BCI, BCREI and the Boston Chicken Affiliates are soliciting such acceptances from certain impaired creditors entitled to vote under the Plan and Section 1126 of the Bankruptcy Code.

UNLESS OTHERWISE DEFINED IN THIS DISCLOSURE STATEMENT, ALL CAPITALIZED TERMS CONTAINED HEREIN WILL HAVE THE MEANINGS ASCRIBED TO THEM IN THE PLAN.

A. Purpose of Disclosure Statement

The Debtors are furnishing this Disclosure Statement to all impaired creditors who are entitled to vote to accept or reject the Plan. The Disclosure Statement is to be used by each such creditor solely in connection with its evaluation of the Plan. Use of the Disclosure Statement for any other purpose is not authorized. The purpose of this Disclosure Statement is to provide "adequate information," as that term is defined in Section 1125 of the Bankruptcy Code, to enable creditors whose claims are impaired under the Plan to make an informed decision regarding whether to accept or reject the Plan.

THE DEBTORS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF THEIR CREDITORS. ACCORDINGLY, CREDITORS ENTITLED TO VOTE ON THE PLAN ARE URGED TO VOTE IN FAVOR OF THE PLAN. (VOTING INSTRUCTIONS ARE SET FORTH IN SECTION VI OF THIS DISCLOSURE STATEMENT.) TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND ACTUALLY RECEIVED NO LATER THAN 4:00 P.M., PHOENIX TIME, ON March __, 2000.

EACH CREDITOR SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN AND THE EXHIBITS TO THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

ALL EXHIBITS OR SCHEDULES TO THIS DISCLOSURE STATEMENT ARE ANNEXED HERETO AND SUPPLEMENTED WITH CERTAIN ADDITIONAL MATERIALS. EXCEPT TO THE EXTENT THAT THE PLAN IS AMENDED TO DELETE ONE OR MORE OF THE EXHIBITS THERETO, THE FINAL EXHIBITS TO THE PLAN WILL BE FILED NO LATER THAN SEVEN (7) DAYS PRIOR TO THE CONFIRMATION HEARING. ALL EXHIBITS OR SCHEDULES TO THIS DISCLOSURE STATEMENT OR THE PLAN MAY BE OBTAINED, ONCE FILED,

1 THROUGH THE BANKRUPTCY COURT'S WEBSITE: <http://ecf.azb.uscourts.gov> OR
2 UPON WRITTEN REQUEST TO THE FOLLOWING ADDRESS:

3 AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.
4 711 Louisiana, Suite 1900
5 Houston, Texas 77002
6 Attn: Laura DeWitt

7 PLAN PROVISION SUMMARIES AND ALL OTHER STATEMENTS MADE IN
8 THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY
9 REFERENCE TO THE PLAN, THE OTHER EXHIBITS AND SCHEDULES HERETO
10 AND THERETO AND ANY OTHER DOCUMENTS REFERENCED HEREIN OR
11 THEREIN.

12 IN MAKING A DECISION, CREDITORS MUST RELY ON THEIR OWN
13 EXAMINATION OF THE PLAN, INCLUDING THE MERITS AND RISKS INVOLVED.

14 CREDITORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS
15 DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL
16 OR TAX ADVICE. EACH CREDITOR SHOULD CONSULT WITH ITS OWN LEGAL,
17 BUSINESS, FINANCIAL AND TAX ADVISORS WITH RESPECT TO ANY SUCH
18 MATTERS CONTEMPLATED THEREBY. *SEE* SECTION VIII — "CERTAIN RISK
19 FACTORS RELATING TO THE PLAN" FOR A DISCUSSION OF VARIOUS
20 FACTORS THAT SHOULD BE CONSIDERED.

21 -----
22 No representations concerning the Debtors, the value of their property, or the value of
23 any benefits offered to creditors in connection with the Plan is authorized by the Debtors other
24 than as set forth in this Disclosure Statement. Any representations or inducements made to
25 secure your acceptance or rejection of the Plan which are contrary to information contained in
26 this Disclosure Statement should not be relied upon by you in arriving at your decision and any
27 such representations and inducements should be reported to the following counsel:

28 H. Rey Stroube, III
Akin, Gump, Strauss, Hauer & Feld, L.L.P.
711 Louisiana, Suite 1900
Houston, Texas 77002

B. Limitations on Information Contained in Disclosure Statement

The statements contained in this Disclosure Statement are made as of the date hereof, unless another time is specified, and the delivery of this Disclosure Statement will not, under any circumstance, create any implication that the information contained herein is correct at any time subsequent to the date hereof.

Any estimates of Claims and Interests set forth in this Disclosure Statement may vary from the amounts of Claims or Interests ultimately allowed by the Bankruptcy Court. The

1 summaries of the Plan and other documents contained in this Disclosure Statement are qualified
2 in their entirety by reference to the Plan itself, the exhibits thereto and all documents described
3 therein. The information contained in this Disclosure Statement, including, but not limited to,
4 the information regarding the history, business, and operations of the Debtors, the historical
5 financial information of the Debtors and the liquidation analysis relating to the Debtors is
6 included herein for purposes of soliciting acceptances of the Plan. As to contested matters,
7 however, the information in the Disclosure Statement is not to be construed as admissions or
8 stipulations but rather as statements made in settlement negotiations.

9 Except where specifically noted, there has been no independent audit of the financial
10 information contained in this Disclosure Statement. The financial information regarding the
11 Debtors, including the assets and the liabilities of the Debtors, has been derived from numerous
12 sources including, but not limited to, the Debtors' books and records, the Debtors' schedules and
13 statements of financial affairs, proofs of claim and other documents filed with the Bankruptcy
14 Court.

15 The Debtors cannot warrant or represent that the information contained in this Disclosure
16 Statement is without inaccuracy. Neither the Debtors nor their counsel have verified the
17 information contained in this Disclosure Statement, although they do not have actual knowledge
18 of any inaccuracies.

19 The approval by the Bankruptcy Court of the Disclosure Statement does not constitute an
20 endorsement by the Bankruptcy Court of the Plan or a guaranty of the accuracy and
21 completeness of the information contained herein.

22 Neither the Securities and Exchange Commission ("SEC") nor any state securities
23 commission has either approved or disapproved the information contained in this Disclosure
24 Statement, or passed upon the accuracy or adequacy of the statements contained herein. THE
25 PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE
26 SECURITIES COMMISSION.

27 C. Order Governing Plan Confirmation Process

28 On February __, 2000, the Bankruptcy Court entered its order (i) approving this
Disclosure Statement as containing "adequate information" pursuant to Section 1125 of the
Bankruptcy Code, (ii) fixing March __, 2000 at 4:00 p.m. (Phoenix time) as the deadline for
filing and serving any objections to Confirmation of the Plan, (iii) fixing March __, 2000 at
4:00 p.m. (Phoenix time) as the deadline for voting to accept or reject the Plan, and (iv) setting
March __, 2000 at __ __.m. as the date and time to begin a hearing on the Confirmation of the
Plan.

II. EXECUTIVE SUMMARY OF THE PLAN

A. Sale of Operating Assets

The Plan is premised on the Asset Purchase Agreement which provides for the sale of
substantially all of the assets of the Debtors' Estates to Golden Restaurant Operations, Inc.
("Buyer"), a wholly owned subsidiary of McDonald's Corporation, for an aggregate estimated

consideration of \$173,500,000 including the Cash Consideration and the assumption of certain liabilities. Most of the assets to be sold are currently subject to Liens. Such Liens shall attach to the Proceeds of sale with the same validity and priority as they currently have on the assets being sold. Allocation of the purchase price among the Collateral of various Secured Creditors shall be determined by subsequent mutual agreement among the interested parties or by the Bankruptcy Court. Once such allocation has been made, the Proceeds from the sale shall be distributed as follows:

1. All holders of Allowed Secured Claims, other than the 1996 Lenders, shall receive the Proceeds allocable to their Collateral;

2. The Proceeds from the disposition of any unencumbered assets ("Estate Funds") will be used to pay Allowed Unclassified Priority Claims and Other Priority Claims, which are in Class 1 in each Debtor's case (collectively "Priority Claims");

3. The Proceeds allocable to the Collateral that secures the 1996 Lenders' Allowed Secured Claims shall be used to pay any remaining Priority Claims (after the proceeds of unencumbered assets have been exhausted) and to establish a reasonable reserve for the Plan Trust's administration of the Retained Assets, including without limitation retained Litigation Claims, and the balance thereof shall be distributed to the 1996 Lenders, to be applied against their Allowed Secured Claims.

The Retained Assets that are not sold to the Buyer shall be transferred to the Plan Trust on the Effective Date, subject to all valid and enforceable Liens. The Plan Trustee will be responsible for liquidating Retained Assets. The Plan Trustee will turnover consideration received for Retained Assets that constitute Collateral to the Secured Creditor with a Lien thereon, or will surrender to each Secured Creditor (other than the 1996 Lenders) its Collateral no later than one year from the Effective Date. The Plan Trustee shall liquidate the Collateral of the 1996 Lenders and distribute the Proceeds thereof to the 1996 Secured Lenders. Under no circumstances will any Secured Creditor receive aggregate distributions in excess of its Allowed Claim. Any such excess Proceeds shall be treated as Estate Funds.

The Plan Trustee will distribute the Estate Funds (Proceeds of Retained Assets that are not Collateral, and any surplus after payment in full of any Secured Creditor) in the following order: (1) to reimburse the 1996 Lenders for all amounts paid to Priority Creditors from the Collateral of the 1996 Lenders and on account of the Adequate Protection Obligations, if any, and (2) pro rata to the General Unsecured Creditors (including any deficiency Claims of the Secured Creditors of that Debtor) of the Debtor that owned such Retained Assets immediately prior to the Confirmation Hearing.

In the case of BCI, the allocation among Unsecured Creditors will enforce the contractual subordination provisions of the Debentures issued by BCI to those creditors in each subclass of BCI Class 6 (the 1994 Debentures, 1997 Debentures, and LYONs). As a result, the distributions that otherwise would have been made to Subordinated Creditors will be made to the Unsecured Creditors to whom they are contractually subordinated, until and unless such senior Unsecured Creditors are paid in full. **Because of this subordination, it is extremely unlikely that the BCI Class 6 Subordinated Creditors will receive any distribution under the Plan.**

1 **Holders of equity Interests and holders of Securities Claims shall not retain or**
2 **receive any property under the Plan. As a result, these Classes of Claims and Interests are**
3 **deemed to have rejected the Plan and their votes will not be solicited. In addition, the**
4 **Debtors will not solicit the votes of the Subordinated Creditors in BCI Class 6, because it is**
5 **very likely that they will receive no property under the Plan and, therefore, the Debtors**
6 **believe that Subordinated Creditors in BCI Class 6 should be deemed to have rejected the**
7 **Plan under Bankruptcy Code §1126(g).**

8 **B. Summary of Classification and Treatment of Claims and Equity Interests**

9 Under the Plan, all Allowed Claims against and Allowed Interests in BCI are divided into
10 twelve (12) Classes, all Allowed Claims against and Allowed Interests in BCREI are divided into
11 six (6) Classes, and all Allowed Claims against and interests in each Boston Chicken Affiliate
12 are divided into eight or nine (8 or 9) Classes, depending on whether that BCA issued any
13 preferred Interests. Of these Classes, (i) Class 2 in each Chapter 11 Case constitutes the Allowed
14 Secured Claims of the 1996 Lenders with respect to which BCI, BCREI and each BCA may be
15 jointly and severally liable, and (ii) BCI Class 3 and each BCA Class 3 constitute the Allowed
16 Secured Claims of the 1995 Lenders with respect to which BCI and the Boston Chicken
17 Affiliates may be jointly and severally liable. To the extent that the 1996 Lenders and/or the
18 1995 Lenders hold Allowed Unsecured Claims (because the value of their Collateral is less than
19 their Allowed Claims) these same Debtors are jointly and severally liable for these deficiencies.
20 The Debtors believe these deficiencies will constitute the majority in dollar amount of all
21 Allowed Unsecured Claims in each Chapter 11 Case that are not subordinated.

22 The Classes do not include certain Claims, including DIP Facility Claims, Adequate
23 Protection Obligations, Administrative Claims, and Priority Tax Claims which, pursuant to
24 Section 1123(a)(1) of the Bankruptcy Code, cannot be classified. All of these Priority Claims,
25 other than the Adequate Protection Obligations, if any, will all be paid in full in Cash on the
26 Effective Date or assumed by the Buyer and paid according to their original terms. The
27 Adequate Protection Obligations, if any, will be paid from the Estate Funds as and when the Plan
28 Trustee realizes such Estate Funds.

1 **C. Summary of Treatment of Claims Against and Interests in each Debtor Under the**
2 **Plan.**

3 Until the Proceeds are allocated among the holders of Allowed Secured Claims, it is
4 impossible to estimate what distribution will be made to such Secured Creditors. The
5 distributions on account of all Allowed Priority Claims and Allowed Secured Claims will
6 probably consume all of the Secured Proceeds from the sale to the Buyer. Many of the Retained
7 Assets will also remain subject to Liens securing the Allowed Claims.

8 Distributions to holders of Allowed Unsecured Claims (BCI Classes 5 and 8, BCREI
9 Class 4 and each BCA Class 5) will, therefore, depend primarily on the amounts recovered from
10 the Plan Trustee's liquidation of any unencumbered Remaining Assets, especially the Litigation
11 Claims, and the amount of the 1996 Lenders Allowed Adequate Protection Obligations, if any.
12 **There will be no distribution to the holders of Allowed Unsecured Claims if the sum of: (i)**
13 **the Priority Claims paid from the Proceeds of the 1996 Lenders' Collateral, and (ii) the**

1 **Allowed Adequate Protection Obligations, if any, exceed the Proceeds from all**
2 **unencumbered assets.**

3 **It is very unlikely that there will be any distribution to the holders of Allowed BCI**
4 **Class 6 Claims. The Plan preserves the right of holders of such Subordinated Claims to**
5 **receive a distribution if senior Unsecured Claims are paid in full. This is, however,**
6 **unlikely to happen.**

7 **Holders of Allowed Claims in BCI Class 7 (Debt Securities Claims), BCI Class 12,**
8 **BCREI Class 6 and Class 9 of each BCA (Equity Securities Claims), and all Interests (i.e.,**
9 **BCI Classes 9, 10 and 11, BCREI Class 5, and Classes 6, 7 and 8 of each BCA) are**
10 **Impaired and will receive no distributions under the Plan. These Classes are, therefore,**
11 **deemed to have rejected the Plan.**

12 **Class 1 with respect to each Debtor will be paid in full on the effective Date. All other**
13 **Claims against the Debtors will be Impaired, and are entitled to vote on the Plan.**

14 **III. BACKGROUND AND GENERAL INFORMATION**

15 **A. Introduction**

16 **The primary purpose of the Plan is to effectuate a sale of substantially all of the assets of**
17 **each of the Debtors to Buyer and to distribute the proceeds of that sale and the Retained Assets**
18 **of the Debtors to the holders of Allowed Claims against each Debtor in the order of priority of**
19 **Allowed Claims. The Plan does not substantively consolidate the Debtors' assets and liabilities.**

20 **Where appropriate, the term "Company" as used in this Section III refers to BCI and its**
21 **subsidiaries (including the Debtors and certain subsidiaries that are not Debtors) and their**
22 **respective operations, taken as a whole. The subsidiaries are listed on Exhibit "C" to the**
23 **Disclosure Statement.**

24 **B. Business of Boston Chicken**

25 **1. General**

26 **The Debtors own, operate and franchise a chain of restaurants doing business under the**
27 **tradename "Boston Market," and utilizing the "Boston Market," "Boston Chicken," and other**
28 **related trademarks and service marks and engage in a variety of licensing, real estate and other**
business activities related thereto. Boston Market restaurants specialize in fresh, convenient meals featuring home style entrees of chicken, turkey, ham and meat loaf, as well as sandwiches and a variety of freshly prepared vegetables, salads and other side dishes. As of November 28, 1999, the Boston Market system included 859 stores located in 33 states and the District of Columbia, of which 751 were owned by BCI or the Boston Chicken Affiliates, 56 were owned by Boston West, L.L.C., a financed area developer ("Boston West"), 41 were owned by Platinum Rotisserie, L.L.C., a financed area developer ("Platinum"), and 11 were owned by independent franchisees. BCI also owns an approximately 51.9% interest in Einstein/Noah Bagel Corp. ("ENBC"), an operator of specialty retail bagel stores.

BCI was originally incorporated in Massachusetts in 1985 and reincorporated in Delaware in 1993. BCI's principal executive offices are located at 14123 Denver West Parkway, P.O. Box 4086, Golden, Colorado 80401-4086.

2. Competition

The food service industry is intensely competitive with respect to food quality, concept, location, service and price. In addition, there are many well-established food service competitors with substantially greater financial and other resources than the Company and with substantially longer operating histories. The Company believes that it competes with national, regional, and local take-out food service companies, quick service restaurants, casual full-service dine-in restaurants, delicatessens, cafeteria-style buffets and prepared food stores, as well as with supermarkets and convenience stores. The Company believes that Boston Market stores compete favorably in the important factors of taste, food quality, convenience, customer service and value. The Company believes that variety is a primary factor influencing customer trial and frequency. As a result, the Company has historically offered seasonal menu items and frequently re-evaluates its menu.

3. Trademarks and Service Marks

BCI owns a number of trademarks and service marks that have been registered with the United States Patent and Trademark Office, including Boston Market®, Boston Chicken®, Boston Carver® and the current Boston Market logo. In addition, BCI has trademark applications pending for a number of additional trademarks and service marks, primarily designations of particular food products and services with a "Boston" appellation.

In addition, BCI has registered or made application to register its name (or, in certain cases, its name in connection with additional words or graphics) in more than 70 foreign countries and is currently registering the Boston Market® name or logo in most of those countries, although there can be no assurance that any mark is registrable in every country in which registration is sought. BCI considers its intellectual property rights to be important to its business and actively defends and enforces them. These rights will be transferred to Buyer.

4. Employees

As of November 28, 1999, the Debtors had approximately 15,500 employees, including approximately 200 employed at its support center in Golden, Colorado (the "Support Center"), and approximately 15,300 employed as salaried or hourly personnel in the field and at stores owned by the Debtors. None of the Debtors' employees are represented by any labor union or covered by any collective bargaining contract.

5. Properties

BCI leases two buildings comprising the BCI and ENBC Support Centers and additional space subleased to a third party, which is located in approximately 156,000 square feet of space in Golden, Colorado. BCI's offices are in good condition.

1 As of November 28, 1999, the Boston Market Company-operated stores, which are
2 owned by BCI, the Boston Chicken Affiliates and Platinum, included 176 stores where the land
3 and buildings are owned, 135 stores with long-term ground leases and owned buildings, and 481
4 stores at leased premises. In addition, BCRI owns three parcels of real property that are leased
5 to Boston West. The Debtors' land and building leases are generally for terms of five to ten
6 years with one or more five-year renewal options. The Plan proposes to provide the Buyer with
7 the right to designate which of the Debtors' leases will be assigned to it through May 19, 2000,
8 as required by the Asset Purchase Agreement.

6. Einstein/Noah Bagel Corp.

9 In March 1995, BCI made an investment in ENBC, which was created through the
10 combination of a number of leading regional bagel retailers. ENBC owns and operates specialty
11 retail stores that feature fresh-baked bagels, proprietary cream cheeses, specialty coffee and teas,
12 creative soups, salads and bagel sandwiches and other related products, primarily under the
13 *Einstein Bros. Bagels* brand name and also under the *Noah's New York Bagels* brand name.
14 Debtors own approximately 17.5 million shares (representing approximately 51.9%) of the
15 outstanding common stock of ENBC as of December 15, 1999. The closing sale price of ENBC
16 common stock on December 15, 1999, as quoted on the NASDAQ SmallCap Market, was
17 \$.5625 per share.

18 In December 1997, ENBC converted its loans to its area developers into a majority equity
19 interest in the area developers, and the area developers merged into a single entity known as
20 Einstein/Noah Bagel Partners, L.P. ("Bagel Partners"). As of December 15, 1999, Bagel
21 Partners had 539 stores in operation. ENBC owns 78% of Bagel Partners.

22 ENBC owns a number of Federal trademarks and service mark registrations and has
23 Federal trademark applications pending for additional trademarks and service marks. ENBC has
24 made application to register certain of its trademarks in approximately 70 foreign countries.

25 The 1996 Lenders have a Lien on BCI's stock in ENBC. The ENBC stock is a Retained
26 Asset that will be transferred to the Plan Trust, subject to the existing Lien.

7. Historical Restaurant Operating Information

27 The accompanying Unaudited Combined Statements of Revenues and Direct Operating
28 Expenses include the results of the 792 Boston Market restaurants currently owned by the
Company and Platinum and operated by the Company, giving pro forma effect to the
restructuring of the Debtors' operations described in Section III.C.2. below. These statements do
not contain the operating results of 11 restaurants operated by independent franchisees or the 56
restaurants operated by Boston West, a financed area developer in a chapter 11 case in the
Central District of California. The accompanying statements were derived from the historical
accounting records of the Company and its financed area developers, and are presented on the
accrual basis of accounting. The statements reflect the respective fiscal year results of the
restaurants based upon a 52-week period ending on the last Sunday in December. Certain other
costs, such as depreciation and amortization, royalties, allocated general and administrative
expenses, impairment charges, interest expense, payments to the 1995 Lenders and the 1996

Lenders, and income tax expenses, have been excluded. The marketing expenses reflected in the statements represent a pro rata allocation of system-wide marketing and advertising costs (excluding certain promotional allowances received from vendors) based on the average number of open stores during the respective periods. Occupancy costs exclude the rental expense paid by area developers to the Company for land, leaseholds and equipment owned by the Company because such charges are eliminated on a combined basis of presentation. The revenues and direct operating expenses are not necessarily indicative of the results that would have actually occurred had the Asset Purchase Agreement been consummated in the periods presented or which may occur in the future.

The 792 restaurants were never accounted for together as a single legal entity and, accordingly, full separate historical financial statements prepared in accordance with generally accepted accounting principles are not practical to obtain. In addition, the combined results and net income (loss) of the Company and Platinum are not meaningful due to, among other factors, (i) the Company's change in focus in July 1998 from a franchise system with revenues from royalties, interest and service fees to a predominantly company-controlled system, (ii) the closing of 280 restaurants from 1996 through November 1999, (iii) the conversion of 14 area developer loans by the Company, (iv) the significant restructuring of field operations in 1997 and 1998, (v) the Debtors' 1998 filing for protection under Chapter 11, and (vi) the inclusion of ENBC's results in the Company's consolidated financial statements. In addition, other than the Company's audited Consolidated Balance Sheet as of December 27, 1998 included as Exhibit "B" hereto (the "BCI 1998 Balance Sheet") no Company or financed area developer audited financial statements are available. See "Other Matters Concerning the Debtors—Exchange Act Filings."

COMBINED UNAUDITED STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

For Restaurants Subject to the Asset Purchase Agreement

	12 Periods Ended November 28, 1999	Year Ended December 27, 1998	Year Ended December 28, 1997	Year Ended December 29, 1996
Net Weekly Revenue per Restaurant ("WPSA")	<u>\$15,941</u>	<u>\$17,203</u>	<u>\$21,055</u>	<u>\$22,779</u>
Restaurants, average for period	<u>791</u>	<u>792</u>	<u>761</u>	<u>642</u>
Total Revenues	\$605,399,000	\$708,416,000	\$833,650,000	\$760,912,000
Costs and Expenses:				
Food and paper	219,397,000	253,564,000	324,197,000	296,558,000
Labor	174,382,000	197,014,000	218,025,000	201,053,000
Rent and related costs	51,314,000	53,091,000	54,774,000	43,732,000
Other	61,934,000	70,418,000	76,439,000	63,163,000

	12 Periods Ended November 28, 1999	Year Ended December 27, 1998	Year Ended December 28, 1997	Year Ended December 29, 1996
Marketing	<u>45,238,000</u>	<u>54,774,000</u>	<u>100,008,000</u>	<u>83,326,000</u>
Total Operating Expenses	552,265,000	628,861,000	773,443,000	687,832,000
Store operating cash flow	<u>\$53,134,000</u>	<u>\$79,555,000</u>	<u>\$60,207,000</u>	<u>\$73,080,000</u>

Management currently utilizes cash flow defined as EBITDAL for evaluating the performance of the business. EBITDAL is comprised of Company-operated Boston Market store operating cash flow less overhead giving pro forma effect to the restructuring of the Debtors' operations described in Section III.C2. below. EBITDAL excludes all financing costs (including interest paid to the 1995 Lenders and 1996 Lenders), bankruptcy-related costs, depreciation and amortization, taxes, non-recurring cash flows and capital expenditures. The information provided herein reflects EBITDAL for all Company-operated stores, including Company-operated stores subsequently closed, and BCNW (as hereinafter defined) and Boston West stores prior to their respective chapter 11 filings in October and November 1998. The EBITDAL for such stores increased from negative \$105,808,000 in 1997 to positive \$15,121,000 during 1999.

8. Turnaround In Financial Performance

As the foregoing information demonstrates, the Company's performance has improved substantially during 1999. The substantial improvement in operating results during 1999 is illustrated by the financial performance graphs attached hereto as Exhibit "G," reflecting (a) annual EBITDAL for all Company-operated stores, (b) quarterly Net WPSA and EBITDAL for all Company-operated stores, (c) 792 Store net weekly per store average sales ("Net WPSA") v. prior year, and (d) 792 store Net WPSA. Notwithstanding the recent improvement in the Debtors' operating performance, the Debtors anticipate that revenues will be lower during the first two four-week periods of 2000, due to the seasonal nature of the Debtors' business.

C. Events Preceding the Chapter 11 Filings

1. General

The Boston Market system experienced a substantial decline in system-wide average store sales beginning in the middle of 1997. In response, the Company: (i) reduced the levels of price-promoted offers and media spending; (ii) emphasized food quality and dinner products; (iii) eliminated its Extreme Carver sandwiches and Kids' Market program; (iv) enhanced its core menu, and (v) renewed a program of rotating side dishes for added variety. Despite the

1 Company's efforts, store sales continued to decline in the third quarter of 1997. The Company
2 concluded that changing to a Company-owned structure was the most effective means to
3 accomplish the managerial and operational control necessary to improve store sales and customer
4 experience. In October 1997, the Company announced its intention to change to a Company-
5 owned structure and, along with its financed area developers, to stop store development during
6 1998.

7 During the first quarter of 1998, the Boston Market system continued to experience a
8 decline in system-wide average store sales. On May 1, 1998, BCI announced the resignations of
9 Scott A. Beck, Co-Chairman of the Board and President, Saad J. Nadhir, Co-Chairman of the
10 Board and Chief Executive Officer, and Mark W. Stephens, Vice Chairman and Chief Financial
11 Officer. BCI also announced it had named J. Michael Jenkins, a 37-year veteran of the
12 restaurant industry, as Chairman of the Board, Chief Executive Officer and President of the
13 Company.

14 In May 1998, the Company also announced, among other things, that: (i) the Company's
15 \$75-100 million in estimated 1998 cash flow was not achievable; (ii) unless there was a material
16 improvement in store performance, the Company would not meet the financial covenants
17 contained in its senior credit facility; (iii) if the Company could not renegotiate the credit facility
18 with its senior lenders, it might not be able to meet its financial obligations when due; and (iv)
19 based on first quarter 1998 store performance, the enterprise value of the Company might not
20 exceed its liabilities.

2. Elimination of Area Developer Structure

21 BCI historically relied on its financed area developers to develop, own and operate
22 Boston Market restaurants. The area developer structure allowed the Company and its area
23 developers to build a significant store base and establish national awareness of the Boston
24 Market brand in a short period of time. However, in October 1997, BCI's board of directors
25 concluded that a simplified legal and financial structure would: (i) yield greater management
26 effectiveness by providing clearer paths of managerial control; (ii) facilitate the Company's
27 ability to form and deploy expansion capital; (iii) reduce annual taxes; and (iv) unencumber the
28 Company's ability to deliver products under the Boston Market brand into alternative
distribution channels.

On July 15, 1998, BC Equity Funding L.L.C. ("BCEF") and Market Partners, L.L.C.
("Market Partners") merged into a wholly-owned subsidiary of the Company and BCI acquired
the preferred equity interests owned by BCEF and Market Partners in eleven area developers.
On the same date, BCI converted \$564.2 million of convertible and non-convertible loans to ten
of those area developers into majority ownership interests in the area developers. To date, the
Company has acquired a majority equity interest in 15 of its 18 original financed area
developers.

In exchange for the BCEF and Market Partners preferred equity interests, BCI paid to the
members of BCEF an aggregate of \$4.5 million in cash and issued to the members of BCEF an
aggregate of 1,553,991 shares of BCI common stock and 1,204,593 of BCI 10% Series A
exchangeable preferred stock ("Preferred Stock") with an aggregate liquidation preference of

1 \$60.2 million. BCI paid to the members of Market Partners an aggregate of \$5.5 million in Cash
2 and issued to them an aggregate of 1,946,000 shares of BCI common stock and 1,331,400 shares
3 of Preferred Stock with an aggregate liquidation preference of \$66.6 million.

4 In July 1998, the Company announced that it had obtained a \$39.3 million liquidity
5 facility (the "Liquidity Facility") and the agreement of its senior lenders to forbear enforcement
6 of the Company's default with respect to financial covenants in its senior secured credit facility
7 as part of a restructuring with the 1996 Lenders. The liquidity facility and certain of the
8 Company's other senior secured debt became due and payable in October 1998.

9 3. Chapter 11 Filing

10 After determining that it was not possible to negotiate a debt restructuring prior to the
11 date on which the Company's senior debt became due and payable, the Debtors voluntarily filed
12 petitions for reorganization under Chapter 11 of the Bankruptcy Code on October 5, 1998 (the
13 "Petition Date"). The Debtors have continued to operate their business as debtors in possession
14 pursuant to Sections 1107 and 1108 of the Bankruptcy Code. By order dated October 5, 1998,
15 the Chapter 11 Cases of these Debtors are being jointly administered. The Chapter 11 Cases
16 have not been substantively consolidated and the Plan does not provide for substantive
17 consolidation.

18 D. Other Matters Concerning the Debtors

19 1. BCI Securities Litigation

20 BCI, individual defendants Scott A. Beck, Saad J. Nadhir, and Mark W. Stephens, each a
21 former executive officer and director of BCI (collectively, the "individual defendants"),
22 underwriters of certain securities of BCI, and the Company's former independent public
23 accountants (the "accountants") are defendants in class action lawsuits filed in the United States
24 District Court for the District of Colorado and in Jefferson County District Court in the State of
25 Colorado. The complaints allege, among other things, that the defendants violated Sections 11,
26 12(2) and 15 of the Securities Act of 1933, as amended (the "Securities Act"), and Section 10(b)
27 of, and Rule 10b-5 promulgated under, the Securities Exchange Act of 1934, as amended (the
28 "Exchange Act") and similar provisions of Colorado state securities statutes. The plaintiffs seek,
among other things, (i) to certify each of the complaints as a class action on behalf of all persons
who purchased securities of the Company during the purported class period, (ii) an award of
unspecified compensatory damages, interests and costs to all members of the purported class and
(iii) equitable relief permitted by law, equity or federal or state statutes. The actions against BCI
are stayed by the Bankruptcy Code §362(a).

The underwriter defendants, the accountants and the individual defendants entered into
separate memoranda of understanding setting forth agreements in principle to settle claims
pending against them. The memorandum of understanding to which the individual defendants
are parties contemplates that settlement of claims against the individual defendants would be
funded entirely with proceeds of director and officer liability insurance policies purchased by
BCI, and is subject to a number of conditions, including approval of the Bankruptcy Court. In
addition, the settlement is conditioned on, among other things, BCI's agreement to a bar of any

future claims that may be asserted against the individual defendants relating to BCI or activities in connection with the purchase or sale of debt or equity securities issued by BCI or the conduct of the individual defendants as it relates thereto. BCI has not consented to the proposed settlement. To BCI's knowledge, no further action has been taken by the underwriter defendants, the accountants or the individual defendants in connection with their respective proposed settlements.

2. Exchange Act Filings

BCI is not current in filing periodic reports under the Exchange Act. The last periodic report filed by BCI was its Quarterly Report on Form 10-Q for the third quarter ended October 4, 1998. During 1999, PriceWaterhouseCoopers, LLP ("PWC"), the Company's new independent auditors retained in October of 1998, advised the Company that it would not reaudit and restate any of BCI's historical financial statements and has further advised that it will opine on BCI's 1998 year-end closing balance sheet, but not the Company's 1998 cash flow or income statements. The BCI 1998 Consolidated Balance Sheet is attached hereto as Exhibit "B."

E. Area Developers

Boston West and Platinum are not Debtors in these Chapter 11 Cases or under the Plan.

1. Boston West

Boston West filed a voluntary chapter 11 petition in the Central District of California, on November 9, 1998. Boston West currently operates 56 Boston Market restaurants located in Southern California. CKE Restaurants, Inc. ("CKE") manages Boston West's restaurants. BCI is the largest creditor in the Boston West bankruptcy case. As of Boston West's petition date, BCI was owed approximately \$111.0 million secured by first Liens on substantially all of Boston West's assets. In addition, BCI has a separate Lien on certain equipment to secure lease claims. BCI has pledged its claim against Boston West as Collateral to the 1996 Lenders and the DIP Lenders. The 1995 Lenders and the 1996 Lenders each have a Lien on certain equipment owned by Boston West financed by them. BCI's partially secured claims against Boston West are included in the assets to be sold to the Buyer. Boston West is insolvent and will not be able to pay these claims in full.

2. BC Northwest, L.P.

BC Northwest, L.P. ("BCNW") was a financed area developer of BCI and operated 56 Boston Market restaurants in Washington, Oregon and Idaho. On or about October 12, 1998, BCNW ceased operating its restaurants and, on October 23, 1998, filed a voluntary petition under chapter 11 in Seattle, Washington (Case No. 98-13415). At the time of its filing, BCNW's assets consisted primarily of real property leasehold interests and the personal property previously used in the operation of its restaurants.

All of BCNW's assets were subject to a perfected security interest in favor of BCI to secure payment of approximately \$86.5 million in convertible loans made by BCI to BCNW. BCI granted Liens to the 1996 Lenders and the DIP Lenders on the secured notes payable by

1 BCNW. In addition, certain of BCNW's personal property was subject to Liens securing the
2 1995 Claims.

3 All of BCNW's leases were rejected and in February 1999, all of its personal property
4 was sold at public auction. BCNW, BCI and BCI's secured creditors agreed to the liquidation of
5 BCNW's assets on the condition that BCI would distribute the net proceeds to the holders of
6 Allowed Secured Claims. The proceeds were used to pay liquidation expenses and approved
7 administrative expenses. BCNW's bankruptcy case was dismissed on June 30, 1999 and the
8 cash on hand, less administrative costs and expenses, was delivered to the 1995 Lenders, the
9 1996 Lenders and the DIP Lenders for allocation among them as they might agree.

10 3. Platinum

11 Platinum is a financed area developer of BCI and currently owns 41 Boston Market
12 restaurants in the states of Georgia, North Carolina, South Carolina and Virginia. Platinum is the
13 only BCI financed area developer conducting operations outside of chapter 11. BCI owns no
14 equity interests in Platinum. As of November 28, 1999, Platinum owed BCI approximately
15 \$83.5 million, including a \$68.5 million loan that is convertible into common membership
16 interests in Platinum under certain circumstances. BCI holds first liens on substantially all of
17 Platinum's assets and has pledged its secured claim as collateral to the DIP Lenders and the 1996
18 Lenders. BCI's rights in Platinum are included in the assets to be sold to the Buyer.

19 F. Management

20 The Debtors' current officers and directors are listed on Exhibit "E" to the Disclosure
21 Statement. These officers and directors shall cease to serve as such on the Effective Date,
22 because substantially all of the Debtors' assets will be sold to Buyer under the Asset Purchase
23 Agreement, and the remaining assets will be transferred to the Plan Trust. The Debtors will be
24 dissolved on the Effective Date.

25 IV. SIGNIFICANT EVENTS IN THE DEBTORS' CHAPTER 11 CASES

26 A. First-Day Motions

27 On the Petition Date the Debtors obtained numerous "first day" orders to ease the
28 administrative burdens that arise in a chapter 11 case. These orders authorized the Debtors to:
(i) pay prepetition wages and other amounts owing to their employees; (ii) continue to utilize
their existing bank accounts and continue to use their existing business forms; and (iii) pay the
prepetition Claims of vendors servicing open store locations. The Debtors believe that these
orders minimized the disruption to the Debtors' business operations associated with the
commencement of bankruptcy proceedings and laid a foundation of goodwill among the Debtors
and their essential trade creditors and employees. The Bankruptcy Court subsequently
authorized the Debtors to pay prepetition sales taxes and to honor prepetition gift certificates.

29 B. Engagement of Professionals

30 The Bankruptcy Court authorized the Debtors to retain: (1) Akin, Gump, Strauss, Hauer
& Feld, L.L.P.; (2) Lewis and Roca, L.L.P.; (3) PWC, as accountants; and (4) BT Alex. Brown

n/k/a Deutsche Banc Securities, as investment bankers, to advise them with regard to alternative plans of reorganization and provide financial advice and assistance in other matters, including efforts to market the Company. Because the managing director of Deutsche Banc Securities and other individuals servicing the Debtors moved to Lazard Freres & Co. L.L.C. ("Lazard"), the Bankruptcy Court authorized the Company to engage Lazard.

The Bankruptcy Court also authorized Debtors to retain Huntley, Mullaney and Spargo L.L.C., dba Huntley Financial Group Ltd. ("Huntley"), and Trammel Crow Retail Services ("Trammel Crow") as special real estate consultants (together, the "Consultants") to market selected properties for the Debtors and negotiate with landlords.

C. Postpetition Financing

1. Debtor in Possession Financing

On October 29, 1998, the Bankruptcy Court gave final approval to the Company's debtor in possession financing agreement ("DIP Agreement") providing for up to \$70.0 million in new loans to refinance up to \$35.0 million of the Liquidity Facility and to give the Company access to \$35.0 million of additional funds to pay, among other things, employee salaries and benefits, vendors, and interest and certain other payments on senior secured debt. The Bankruptcy Court approved suspension of certain payments on the Company's senior secured debt, pending approval of a plan of reorganization. The Bankruptcy Court has since approved six amendments to the DIP Agreement and BCI and the DIP Lenders have entered into five letter agreements supplementing the DIP Agreement. The balance owed by the Debtors under the DIP Agreement was approximately \$21.5 million on December 15, 1999. The DIP Agreement currently expires in April 2000. The DIP Lenders have waived any EBITDAL covenant default only through February 18, 2000. Moreover, the DIP Lenders' willingness to waive that default even through February 18, 2000 was conditioned on, among other things, the Debtors' agreement that termination of the Asset Purchase Agreement by Buyer under certain circumstances or by Debtors without the DIP Lenders' consent will constitute an event of default under the DIP Agreement.

2. Cash Collateral Orders

a. 1996 Lenders

As a result of the DIP Lenders' priming Lien on prepetition Collateral securing the 1996 Lenders' Claims, and the Bankruptcy Court's authorization to use cash Collateral, the 1996 Lenders were entitled to "adequate protection" compensation for any diminution of value of their Collateral. Under the Bankruptcy Court's orders, the 1996 Lenders received the following adequate protection:

(i) valid, perfected, and enforceable Liens on all property of the Debtors and the Estates upon which the 1996 Lenders held prepetition Liens, and all proceeds thereof, subordinate only to Liens granted under the DIP Agreement and the Carve-Out;

(ii) to the extent that the value of the replacement Liens granted proved to be inadequate, an administrative priority claim pursuant to Bankruptcy Code Section

364(c)(1), subordinate only to the administrative priority claim granted the DIP Lenders and the Carve-Out;

(iii) payment on a monthly basis of an amount equal to the interest accruing on the prepetition indebtedness at the non-default rate (which payments were deferred by amended orders for all months from March 1999 through April 2000) and payment of all reasonable fees and expenses of the Agents; provided, however, that any such payments are provisional pending allowance under Bankruptcy Code Section 506(b); and

(iv) the automatic stay was vacated to permit the 1996 Lenders to enforce their rights with respect to their Collateral in the possession of BCNW.

b. 1995 Lenders

As a result of the Bankruptcy Court's authorization to use, in the ordinary course of business, property subject to Liens securing the 1995 Lenders' Claims, the 1995 Lenders were also entitled to adequate protection to compensate for any diminution in the value of their Collateral. Under the Bankruptcy Court's orders, the 1995 Lenders received the following adequate protection:

(i) payment on a monthly basis of an amount equal to the interest accruing on the prepetition indebtedness at the non-default rate (which payments were deferred by amended orders for all months from March through September, 1999 and the Debtors are not currently making monthly payments to the 1995 Lenders), and payment of all reasonable fees and expenses of the agents; provided, however, that any such payments are provisional pending allowance under Bankruptcy Code Section 506(b); and

(ii) the automatic stay was vacated to permit the 1995 Lenders to enforce their rights with respect to their Collateral in the possession of BCNW.

D. Creditors' Committee

On October 21, 1998, the United States Trustee appointed an Official Committee of Unsecured Creditors (the "Creditors' Committee") in the Chapter 11 Cases. Substantially all members of the Creditors' Committee are subordinated debenture holders. The Creditors' Committee retained Hebb & Gitlin, P.C. (n/k/a Bingham Dana, L.L.P.) and Snell & Wilmer, L.L.P. as co-counsel and Houlihan, Lokey, Howard & Zuken Financial Advisors, Inc. as financial advisors.

E. Equity Committee

On February 19, 1999, the United States Trustee appointed an Official Committee of Equity Holders (the "Equity Holders' Committee") in the Chapter 11 Cases of the Debtors. The Equity Holders' Committee has not retained any professionals.

F. Lease Rejections And Assumptions

As of the Petition Date, the Debtors owned or leased, and operated 759 of the 965 Boston Market stores. A central component of the Debtors' business restructuring was to close those stores that either consistently lost money or earned minimal amounts of money. At the outset of the Chapter 11 Cases, the Debtors closed a large number of stores and either rejected the leases on those stores or assumed and assigned the leases to third parties. Subsequently, the Debtors closed eight more stores and the leases on those stores expired, were mutually terminated or were rejected by Debtors. In total, as of December 1, 1999, the Debtors have rejected 202 store leases, nine of which were leases or subleases to third parties.

The Debtors have also assumed and assigned 18 other store leases for locations that either consistently lost money or earned minimal amounts of money. To reduce operating costs, the Debtors have negotiated rent reductions with 82 store landlords. In exchange for a reduction in rent, the Debtors assumed the re-negotiated leases. The Debtors have also assumed three additional store leases. The Bankruptcy Court has extended the time within which the Debtors can assume or reject leases to December 31, 1999. The Debtors have requested a further extension of the time within which the Debtors can assume or reject leases until the Confirmation hearing. The Plan requests a further extension with respect to Unresolved Executory Contracts to May 19, 2000.

G. Sales of Real Property

Prior to the Petition Date, the Debtors collectively owned 209 properties, 204 on which stores were located. The Debtors have closed 27 of the 204 stores, which they determined could not reasonably be expected to become profitable. The Debtors have sold 25 of their surplus properties for approximately \$17.5 million. The proceeds were used to pay down the permanent portion of the DIP Facility.

H. Sales of Personal Property Relating to Closed Stores

The Debtors owned personal property used in the closed stores, including food and beverage storage and preparation equipment, furniture, furnishings and other items typically used in quick service restaurants, phone equipment and cash registers, which the Debtors subsequently sold.

I. Employee Retention Bonus Plan and Employment Agreements

At the outset of the Chapter 11 Cases, the Debtors realized the importance of maintaining continuity of management and enhancing management performance. To that end, the Debtors assumed their 1998 Employee Retention Bonus Plan (the "Bonus Plan"). The Buyer has agreed to assume the remaining liabilities under the Bonus Plan.

The Bankruptcy Court also authorized the Debtors to assume 12 employment contracts (collectively, the "Employment Agreements") with members of the Debtors' senior management. Prepetition, the Company entered into the Employment Agreements with Lawrence E. White, as Chief Financial Officer, eight Vice Presidents of Operations and two Division Presidents to maintain continuity of senior management and to preserve institutional knowledge regarding

1 operations, strategies, and business plans. To assist in its turnaround efforts, the Company
2 entered into an employment agreement with J. Michael Jenkins, as Chairman of the Board, Chief
3 Executive Officer and President, on April 30, 1998. Mr. White and one of the Division
4 Presidents resigned during the Chapter 11 Cases. In connection with the Asset Purchase
5 Agreement, Mr. Jenkins' employment contract was amended, subject to Bankruptcy Court
6 approval of that amendment. To facilitate the transition to the Buyer if the Plan is confirmed,
7 nine key field employees have entered into transition agreements.

6 **J. Bar Date**

7 The Bankruptcy Court established March 31, 1999 (the "Bar Date") as the date by which
8 all creditors were required to file proofs of Claim with the Bankruptcy Court. Creditors who
9 were not required to file a proof of claim include: all Debenture holders, and any Creditor having
10 an administrative claim under 11 U.S.C. § 503(b)(1); provided however, that any Creditor
11 asserting an administrative claim that arises from or relates to unpaid rent accruing after the
12 Petition Date and due under a nonresidential real property lease for a store closed prior to
13 March 31, 1999 must have filed a proof of claim before the Bar Date.

14 In addition, all vendor Creditors were to file a proof of claim only for amounts due and
15 owing prior to the Petition Date that were in excess of the payments made pursuant to an order
16 authorizing Debtors to pay claims of pre-petition creditors, signed by the Court on
17 October 5, 1998. Unless a vendor Creditor filed a proof of claim for such pre-petition amounts,
18 the Claims of that vendor Creditor set forth in the Debtors' schedule of liabilities were deemed to
19 have been paid in full and were not allowed.

20 Approximately 13,000 Claims were originally scheduled and 1,600 proofs of Claim were
21 filed prior to the Bar Date. The Debtors are continuing to reconcile and resolve proofs of Claim
22 that differ from the schedules.

23 The Court subsequently fixed a supplemental bar date of September 30, 1999 for
24 claimants whose Claims were being handled exclusively by the Debtors' insurance companies
25 and, consequently, were not on the address list used to serve notice of the Bar Date.

26 **K. Avoidance Actions**

27 Debtors have been focused on stabilizing and improving business operations and have not
28 completed an investigation of any possible avoidance actions pursuant to sections 544, 545, 547,
548, 549 or 553 of the Bankruptcy Code. Under the Asset Purchase Agreement, avoidance
actions under the Bankruptcy Code and other claims the Debtors may have against third parties
(other than claims that do not arise under the Bankruptcy Code against employees who become
employees of the Buyer and certain claims against vendors) are Retained Assets and, therefore,
will remain in the Debtors' Estates. Prior to the Disclosure Statement hearing, the Debtors will
file a list of potential Litigation Claims (including Avoidance Actions) and the anticipated
defendants in connection with each such Litigation Claim. That list shall constitute Exhibit "F"
hereto. All Litigation Claims will be transferred to the Plan Trust.

L. Exclusivity

The Bankruptcy Court has extended the Debtors' exclusivity periods to December 31, 1999 and March 1, 2000. The Debtors have requested a further extension of the initial exclusivity period to January 7, 2000. Without further order, the extended exclusivity periods may be terminated ten days following written notice to Debtors by the 1996 Lenders or the Creditors' Committee. The Debtors may not further extend the exclusivity period without the prior written consent of the DIP Lenders and the 1996 Lenders.

M. Exclusive License Agreement with H.J. Heinz Company

On June 8, 1999, the Bankruptcy Court authorized the Debtors to enter into an exclusive licensing agreement (the "Licensing Agreement") with H.J. Heinz Company ("Heinz"). The Licensing Agreement allows Heinz to sell packaged food products bearing the "Boston Market" trade name in grocery stores. The initial term of the Licensing Agreement is through April 21, 2009.

The Debtors believe that the Licensing Agreement is beneficial and enhanced the value of the Debtors. The Debtors believe that the Licensing Agreement provides both present and future important benefits to the Boston Market brand. The two principal benefits of the Licensing Agreement are (i) the association with an established international manufacturer and marketer of quality food products like Heinz, and the resulting national and international exposure to the Boston Market brand, will enhance the value of the Debtors' trademarks and restaurants; and (ii) the potential enhancement of corporate revenues as a result of the license fees that may be paid. The Debtors' rights under the Licensing Agreement will be assigned to the Buyer.

N. Settlement with Harry's Farmers Market, Inc.

By mutual agreement the Company terminated the agreements between it and Harry's Farmers Market, Inc. ("HFMI") postpetition. Under the settlement: (i) HFMI paid \$4.0 million to BCI and Progressive Food Concepts, Inc. ("PFCI"), which was used to pay down the permanent portion of the DIP Facility; (ii) the outstanding loans made by PFCI to HFMI were deemed satisfied in full, (iii) all rights of PFCI in and to the intellectual property of HFMI reverted to HFMI; (iv) the warrants held by PFCI to acquire common stock of HFMI were redeemed; (v) the mutual consulting obligations between PFCI and HFMI were terminated, and (vii) HFMI waived its claim for \$2,880,000, which it filed in connection with PFCI's failure to fund the remaining amounts due under the loan agreement.

O. The Purchase Agreement

A true and correct copy of the Asset Purchase Agreement has been filed as an Exhibit to the "Appendix to the Disclosure Statement." The Asset Purchase Agreement will be a binding contract between the parties in the event the Plan is confirmed. The following is a general description of the material terms of the Asset Purchase Agreement. If you are concerned about the terms of the Asset Purchase Agreement, you should review the entire Asset Purchase Agreement. To the extent of any inconsistencies between the following general description and

1 the Asset Purchase Agreement, the Asset Purchase Agreement will govern the rights of the
2 parties.

3 The Buyer and the Debtors entered into the Asset Purchase Agreement dated November
4 30, 1999, which provides for the transfer of substantially all of the Debtors' assets to the Buyer.
5 The Buyer is paying an aggregate estimated consideration of \$173.5 million, including the Cash
6 Consideration and the assumption of certain liabilities. The assets being transferred include
7 cash, accounts receivable, notes receivable, inventory, those contracts to be assumed pursuant to
8 Section VII. of the Plan, real and personal property located at the locations to be sold, the
9 Debtors' trademarks and other intellectual property, and the Debtors' claims against Boston
10 West and rights in Platinum. Certain assets, including real and personal property located at the
11 stores that the Buyer conclusively determines not to assume prior to the Effective Date will not
12 be transferred to the Buyer, BCI's 51.9% interest in ENBC, and Litigation Claims, including all
13 causes of action arising under the Bankruptcy Code (collectively, the "Retained Assets") are not
14 transferred under the Asset Purchase Agreement.

15 The Buyer has committed to offer employment to all of the Debtors' store Employees in
16 Good Standing and all of the Debtors' staff Employees in Good Standing as of the Effective
17 Date. The terms of employment will include certain severance rights pursuant to Section 3 of the
18 Asset Purchase Agreement. The Buyer has further agreed to assume all liabilities of the Debtors
19 under the Employment Agreements described in § IV.I., above, or, in the alternative, to pay the
20 severance obligations due under the Employment Agreements.

21 The Asset Purchase Agreement divides executory contracts and leases into three groups:
22 (1) those that will be assumed on the Effective Date or a later date on or before May 19, 2000 to
23 be set by the Buyer, (2) those to be rejected on the Effective Date, and (3) those with respect to
24 which no final decision will have been made as of the Effective Date (the "Unresolved
25 Executory Contracts"). The final decisions with respect to the assumption or rejection of the
26 Unresolved Executory Contracts will be made by the Buyer on or before May 19, 2000. All
27 assumptions and rejections will be subject to Bankruptcy Court approval, either at the
28 Confirmation Hearing or at such later date as a final determination to assume or reject has been
made by the Buyer.

Section 7 of the Asset Purchase Agreement contains conditions precedent to the
obligations of the parties to close the sale. Those conditions are discussed in more detail in
§ VIII.B. dealing with risks inherent in the Plan, which is premised on the closing of the sale
pursuant to the Asset Purchase Agreement.

P. Bidding Procedures

The Debtors' investment bankers have consulted with the Debtors regarding the best
alternatives for formulating a successful plan of reorganization. The Debtors and their
investment bankers thoroughly marketed the Debtors' assets during the period from April 1999
through December 1999. They received numerous expressions of interest and engaged in
negotiations with several potential buyers. Those negotiations ultimately resulted in the Asset
Purchase Agreement. Pursuant to the requirements of the Asset Purchase Agreement, the Debtors

1 filed a motion to establish overbidding procedures. The Bankruptcy Court granted that motion
2 on December 14, 1999. The general provisions of that order provide for the following:

3 (i) Any party wishing to submit a competing offer must deliver the offer in the form
4 of a final, executed, binding purchase or investment agreement that sets forth the purchase price
5 and the terms and conditions of sale or investment, no later than five (5) days before the
6 Disclosure Statement hearing;

7 (ii) Approval of Paragraph 10.2 of the Asset Purchase Agreement pursuant to which
8 the Buyer may become entitled to a \$5.0 million termination fee (the "Termination Fee") under
9 certain circumstances if (a) the Asset Purchase Agreement is terminated other than as the result
10 of a breach by the Buyer, and (b) within 12 months after a termination of the Asset Purchase
11 Agreement, the Debtors enter into a final agreement for a sale of substantially all of their assets
12 through a plan of reorganization or otherwise;

13 (iii) The aggregate consideration to the Debtors from any such offer must be at least
14 \$2.0 million more than the aggregate consideration to the Debtors from the Asset Purchase
15 Agreement, plus any Termination Fee the Debtors would be obligated to pay;

16 (iv) Each party submitting a competing offer shall furnish, upon request, relevant
17 background and financial information (to be kept in confidence by the recipients thereof, subject
18 to further order of the Court);

19 (v) In the event that any competing offers are properly and timely made, their terms
20 will be promptly disclosed to the Buyer and to all other parties submitting competing offers;

21 (vi) The Buyer will have the right to top any timely received overbid, for a period of
22 five days; and

23 (vii) No further bids will be considered after the Disclosure Statement is approved by
24 the Bankruptcy Court. If a new bid is accepted by the Debtors at or before the Disclosure
25 Statement hearing, the Disclosure Statement and Plan may be amended to the extent necessary to
26 reflect that new bid.

27 **Q. Commitment By 1996 Lenders To Support The Buyer's Bid**

28 The 1996 Lenders have informed the Debtors that they have committed to support the
sale of substantially all of the Debtors' assets to the Buyer pursuant to the Asset Purchase
Agreement. The 1996 Lenders have been actively involved throughout the Debtors' efforts to
market most of their assets and the negotiations with the Buyer and other interested potential
buyers. The 1996 Lenders have informed the Debtors that in exchange for the Buyer's
agreement to enter into the Asset Purchase Agreement, the 1996 Lenders entered into a contract:
(i) requiring them to support the Debtors' request for Bankruptcy Court approval of the Asset
Purchase Agreement; (ii) barring them from supporting any competing offer; and (iii) granting
the Buyer an option to acquire their Claims against the Debtors, including the DIP Claims. The
Debtors are not a party to the agreement between the 1996 Lenders and the Buyer and have not
consented to any transfer of the 1996 Lenders' Claims or delegation of the 1996 Lenders' duties
under the DIP Facility and reserve all rights with respect thereto.

V. SUMMARY OF THE PLAN

A. Introduction

The following general description of the Plan of Reorganization is qualified in all respects by the Plan itself. The Plan is attached hereto as Exhibit "A." Before casting a vote accepting or rejecting the Plan, Creditors are urged to read the Plan in its entirety. The rights of the parties will be governed by the Plan, not by the following general description of the Plan.

B. Transfer of Assets to Buyer

The primary source of funding payments under the Plan will be the sale of substantially all of the Debtors' assets to the Buyer pursuant to the Asset Purchase Agreement. All or virtually all of the assets to be sold to the Buyer are subject to Liens. There are a relatively small number of individual creditors who hold Liens on specific assets. The 1995 Lenders hold Liens on equipment in multiple locations. The 1996 Lenders and the DIP Lenders hold Liens on all or virtually all of the assets to be sold to the Buyer, including junior Liens on the same assets subject to senior Liens. All Liens on assets sold to the Buyer will be released from the assets and will attach to the Proceeds.

The Asset Purchase Agreement expressly excludes certain assets from the transfer to the Buyer and allows the Buyer to elect to delay the effective date of the transfer of other assets. The Retained Assets, the delayed transfer assets, and the Cash Consideration will be transferred to the Plan Trust on the Effective Date. The Debtors will automatically be dissolved on the Effective Date and the Plan Trustee will be responsible for liquidating the remaining Retained Assets.

C. Classification of Claims and Interests

The Claims against and Interests in each Debtor are separately classified. The Plan does not provide for substantive consolidation. The actual disposition of the Cash Consideration under the Asset Purchase Agreement will, however, not necessarily require allocation among the multiple Debtors because the DIP Lenders, the 1995 Lenders and/or 1996 Lenders have Liens on substantially all of the assets to be sold, regardless of which Debtor owns those assets.

The Plan classification scheme is relatively simple. It provides as follows:

1. Those priority claims that cannot be classified under the Bankruptcy Code are separately treated as Unclassified Priority Claims.

2. The remaining Claims entitled to statutory priority pursuant to Bankruptcy Code § 507 are placed together in Class 1 with respect to each Debtor.

3. The Allowed Secured Claims of the 1996 Lenders are placed in Class 2 with respect to each Debtor.

4. The Allowed Secured Claims of the 1995 Lenders are placed in Class 3 with respect to BCI and each Boston Chicken Affiliate (the 1995 Lenders do not hold Liens on any assets owned by BCREI and, therefore, are not classified with respect to BCREI).

5. All other Secured Claims against each Debtor are placed in a separate sub-class of that Debtor (Class 4 with respect to BCI and each BCA, and Class 3 with respect to BCREI).

6. With respect to each BCA and BCREI, all other unsecured Claims except Securities Claims, including without limitation all deficiency Claims of Secured Creditors and all damage claims for rejection of Executory Contracts, are placed in a single class.

7. In each Chapter 11 Case, Securities Claims are separately classified and subordinated.

8. With respect to BCI, the unsecured Claims are divided into multiple classes because of their differing substantive rights. The Claims are divided into the following classes:

(i) Senior Unsecured Claims (Class 5), which benefit from the subordination provisions of the Debentures;

(ii) The subordinated Claims under the Debentures (Class 6);

(iii) Other non-priority unsecured Claims (Class 8) that do not benefit from the subordination provisions of the Debentures;

(iv) Debt Securities Claims (Class 7) that are subordinated to Claims under the Debentures under Bankruptcy Code § 507(b); and

(v) Equity Securities Claims (Class 12), because these claims are subordinated to all other Claims under Bankruptcy Code § 510(b).

9. Equity Interests in each Debtor are separately classified according to the relative priorities they hold, but no distribution will be made under the Plan to any Interest holder.

D. Distributions to Creditors

All claims entitled to statutory priority (including Allowed Claims under the DIP Facility) will be paid in full in Cash on the Initial Distribution Date. For Allowed Claims this will be the first business day after the Effective Date. For Disputed Claims it will be when there is a Final Order of the Bankruptcy Court resolving the balance due. The amount owing on the DIP Facility Claim will be fixed at the Confirmation Hearing and it will then be an Allowed Claim that will be paid the first business day after the Effective Date. The payments on the Initial Distribution Date will be made in the first instance from any unencumbered assets (i.e., the Estate Funds). To the extent the Estate Funds are not sufficient to pay all priority claims in full in Cash, the 1996 Lenders have agreed that the Proceeds from the disposition of their Collateral will be used to pay the remaining Allowed Priority Claims. The Proceeds of the 1996 Lenders' Collateral will also be used to establish a reasonable Cash reserve for payment of the

1 expenses relating to the administration of the Retained Assets that are transferred to the Plan
2 Trust (the "Administrative Reserve").

3 The balance of the Proceeds from the Collateral of the 1996 Lenders will be distributed to
4 the 1996 Lenders on the later of: (i) the Initial Distribution Date; or (ii) the date that the
5 allocation of the Proceeds from the disposition of Collateral securing Allowed Claims of the
6 various Secured Creditors can be made by Final Order of the Bankruptcy Court. To facilitate the
7 sale to the Buyer, the Plan provides that the sale will be completed even if the holders of
8 Allowed Secured Claims and the Debtors are unable to agree on the allocation of the Proceeds
9 among the holders of Allowed Secured Claims. All Liens will attach to the Sale Consideration
10 with the same validity, priority, force and effect as they currently have on the assets. The
11 allocation could then be subsequently made. Each Secured Creditor will receive 100 percent of
12 the Proceeds from the Collateral securing its Allowed Claims (not to exceed the Allowed
13 Claims) on the later of: (i) the Effective Date; and (ii) the date that the allocation of the Proceeds
14 among the Secured Creditors can be completed by Final Order of the Bankruptcy Court.

15 The Debtors intend to work with all holders of Allowed Secured Claims to negotiate a
16 mutually acceptable allocation of the Cash Consideration to (i) the Collateral of the 1995
17 Lenders, (ii) the Collateral of the 1996 Lenders, (iii) the Collateral of all other Secured Creditors,
18 and (iv) Estate Funds. This allocation will require both (1) an agreement on the relative value of
19 the Collateral on which each secured Creditor holds a Lien that is being sold to the Buyer, and
20 (2) a determination of the extent to which such Collateral should be surcharged under
21 Bankruptcy Code § 506(c) for the reasonable, necessary costs and expenses of preserving, or
22 disposing of, such Collateral. The term Proceeds is defined as the net consideration allocable to
23 each Secured Creditor's Collateral after payment of its fair share of such costs under Bankruptcy
24 Code § 506(c). The sums recovered through such surcharges will be Estate Funds, to be used to
25 pay Priority Claims. If the allocation can be completed prior to the Confirmation Hearing, it may
26 be presented to the Bankruptcy Court at the Confirmation Hearing. This would eliminate any
27 delay in the distribution of the Cash Consideration.

28 In addition to receiving the Proceeds from the Collateral that is sold to the Buyer, each
Secured Creditor will retain its Liens on any Retained Assets transferred to the Plan Trust. The
Plan Trustee will liquidate the Retained Assets as expeditiously as possible. If the Plan Trustee
is unable to liquidate all of the Collateral for any Secured Creditor, other than the 1996 Lenders,
prior to the Final Secured Creditor Distribution Date (i.e., one year after the Effective Date) the
Plan Trustee will surrender the remaining Collateral belonging to that Secured Creditor to the
Secured Creditor. The amount of the Secured Creditor's Allowed unsecured deficiency claim
will be reduced by the fair market value of any Collateral surrendered to that Creditor.

Through the foregoing mechanism, all Secured Creditors, other than the 1996 Lenders,
will be guaranteed to realize 100 percent of the value of their Collateral. In addition, holders of
Allowed Priority Claims will be assured of payment of 100 percent of their Allowed Claims in
Cash on the Initial Distribution Date. To the extent necessary, the Proceeds of the Collateral of
the 1996 Lenders will be used to pay those Allowed Priority Claims.

The Plan Trustee will also liquidate the currently unencumbered assets of the Estates and
the 1996 Lenders' Collateral as expeditiously as possible. The 1996 Lenders will be granted a

Lien on the Estate Funds (i.e., unencumbered funds) to secure the 1996 Lenders, Reimbursement Claim for any amounts paid to the holders of Allowed Priority Claims from the 1996 Lenders' Proceeds. After payment of the 1996 Lenders' Reimbursement Claim, the Estate Funds will be used to pay the 1996 Lenders' Allowed Adequate Protection Obligations, if any. The balance of the Estate Funds will be distributed to the holders of Allowed unsecured Claims.

With respect to the Allowed unsecured Claims against BCI, the contractual subordination provisions of the Debentures and the statutory subordination provisions in Bankruptcy Code § 510(b) will be enforced. As a result, the Estate Funds that would otherwise be distributable to the Subordinated Creditors, if any, will be distributed to the holders of senior Allowed unsecured Claims until such senior Allowed unsecured Claims have been paid in full. Because it is extremely unlikely that the Estate Funds will be sufficient to pay all senior Allowed unsecured Claims, including deficiency claims held by Secured Creditors, it is very unlikely that there will be any distribution to the Subordinated Creditors. There will be no distribution to the holders of Debt Securities Claims and Equity Securities Claims because such Claims are subordinate to even the Subordinated Claims. Similarly, there will be no distribution to Equity Securities holders.

Under no circumstances will any Secured Creditor receive distributions in excess of its Allowed Secured Claim. If the Proceeds from the liquidation of any Secured Creditor's Collateral exceed its Allowed secured Claim, that excess shall be distributed to the holders of junior Liens on that Collateral or, if there are no junior Liens, shall be treated as Estate Funds.

E. Administration of Plan Trust

The Plan Trustee will be identified prior to the Confirmation Hearing. The Plan Trustee will be "disinterested" within the meaning of the Bankruptcy Code. The Plan Trustee and his or her compensation will be subject to Bankruptcy Court approval.

In addition to the Plan Trustee, a Plan Oversight Committee will be established to facilitate the administration of the Plan Trust. The 1995 Lenders and the Creditors' Committee will each appoint one representative to the Plan Oversight Committee. The 1996 Lenders will appoint three representatives to the Plan Oversight Committee.

The Plan Trustee's decisions to transfer significant assets or settle significant Litigation Claims will be subject to Bankruptcy Court approval. The Plan Trustee may, however, take such actions without Bankruptcy Court approval if they are approved by the Plan Oversight Committee. The Plan Trustee will communicate regularly with the members of the Plan Oversight Committee regarding administration of the Plan Trust. The Plan Trustee shall, however, exercise independent business judgment with respect to all such matters, subject to approval of significant transactions by either the Bankruptcy Court or the Plan Oversight Committee. The Plan Oversight Committee will not participate in any decision regarding the allocation of the Cash Consideration.

On the Effective Date after the transfer of substantially all of the Estates' assets, including the Cash Consideration and the Retained Assets to the Plan Trust, the Debtors will be dissolved. The Equity Securities issued by the Debtors and the Debentures issued by BCI will be

cancelled, without prejudice to the rights of the Subordinated Creditors to receive distributions from the Plan Trustee under the terms of the Plan in the unlikely event that all senior unsecured Claims are paid in full.

F. Executory Contracts

Many of the Debtors' Executory Contracts will be assumed and assigned to the Buyer. Because the Buyer has not yet made a final decision with respect to which Executory Contracts it will seek to assume, it has divided the Debtors' Executory Contracts into three subgroups: (1) those Executory Contracts to be assumed; (2) those Executory Contracts to be rejected; and (3) those Unresolved Executory Contracts with respect to which the Buyer has not yet made a final determination. The Confirmation Order will provide for the assumption and assignment of the first group of Executory Contracts, although the assignment thereof may be deferred if the Buyer elects to defer that date (the Buyer will be responsible for performing under these Executory Contracts from the Effective Date even if the assignment is deferred). If there are any defaults thereunder, the Confirmation Order will provide for the Cure of such defaults. The Confirmation Order will provide for the rejection of the second group of Executory Contracts.

The Plan provides that the Unresolved Executory Contracts will be assumed and assigned to the Buyer or rejected on or before May 19, 2000. Between the Effective Date and the date each such Unresolved Executory Contract is assumed and assigned or rejected, the Buyer will be responsible for the performance of all obligations under the Unresolved Leases and Executory Contracts, pursuant to the Management Agreement. The Bankruptcy Court will retain jurisdiction to determine any issues relating to the assumption and assignment of the Executory Contracts, including without limitation the Cure with respect thereto.

To eliminate any risk to the non-Debtor parties to the Unresolved Executory Contracts, the Plan provides that they have the right to file proofs of Claim at any time prior to the deadline for voting on the Plan for the damages they contend would result in the event of the subsequent rejection and that they will be permitted to vote on the Plan as though the Unresolved Executory Contracts had been rejected. For voting purposes only, the proofs of Claim they file will be deemed Allowed, unless the Debtors' request that they be estimated for voting purposes. Even if they do not file a proof of Claim, parties to Unresolved Executory Contracts will be entitled to vote on the Plan. Each Lessor of real property under an Unresolved Executory Contract will be deemed to have an estimated Claim equal to the rent, without acceleration, for one year after the Effective Date. The non-debtor party to each other Unresolved Executory Contract will have an estimated Claim of \$100 for voting purposes, if it files no proof of Claim. Through this mechanism, the non-debtor parties to the Unresolved Executory Contracts will be given voting rights similar to those they would have if they were informed that their Executory Contracts were to be rejected prior to the Confirmation Hearing.

VI. VOTING ON THE PLAN

A. Who May Vote

Only Classes that are impaired under the Plan and that are not deemed to have rejected the Plan are entitled to vote to accept or reject the Plan. Generally, Bankruptcy Code Section

1124 provides that a class of claims or interests is considered impaired unless the Plan does not alter the legal, equitable and contractual rights of the holder of the claim or interest. In addition, these classes are considered impaired unless all outstanding defaults, other than purely technical defaults or defaults relating to the solvency or the financial condition of the debtor or the commencement of the Chapter 11 Cases, have been cured and the holders of Claims or Interests in these Classes have been compensated for any damages incurred as a result of any reasonable reliance on any contractual provisions or applicable law to demand accelerated payment.

Priority Claims in Class 1 for each Debtor are not impaired. Such classes are conclusively deemed to have accepted the Plan and will not be entitled to vote. In addition, Unclassified Priority Claims will not vote on the Plan.

The holders of Claims in BCI Classes 7 and 12, BCREI Class 6 and Class 9 for each BCA and all holders of Interests in each of the Debtors (BCI Classes 9, 10 and 11, BCREI Class 5, and Classes 6, 7 and 8 for each BCA) will not receive or retain any property under the Plan and are conclusively deemed to have rejected the Plan pursuant to Section 1126(g) of the Bankruptcy Code. Because it is very unlikely that BCI Class 6 (Subordinated Creditors) will receive any property under the Plan, the Debtors believe that BCI Class 6 should also be deemed to have rejected the Plan.

The Claims in BCI Classes 2, 3, 4, 5 and 8, BCREI Classes 2, 3 and 4, and Classes 2, 3, 4 and 5 of each BCA are impaired. The holders of Claims in such Classes are entitled to vote to accept or reject the Plan.

A Creditor is entitled to vote only if either (i) its Claim has been scheduled by the Debtors as not disputed, contingent or unliquidated (except in the case of Unsecured Creditors whose prepetition Unsecured Claims were paid pursuant to the Order Authorizing Debtors to Pay Claims of Prepetition Creditors), or (ii) it has filed a proof of Claim on or before the applicable Bar Date. The holder of any Claim to which an objection is pending is not entitled to vote that Claim unless the Creditor has obtained an order of the Bankruptcy Court temporarily allowing the Claim for the purpose of voting on the Plan. If a Creditor has filed an unliquidated or contingent proof of Claim, (i.e., the Creditor failed to specify the dollar amount in the proof of Claim), then, pursuant to Bankruptcy Code Section 502(c), a dollar value for each such Claim may be estimated and allowed by the Bankruptcy Court solely for voting purposes.

Notwithstanding the foregoing, the non-debtor parties' Unresolved Executory Contracts will be entitled to vote as though each Unresolved Executory Contract has been rejected. Any proofs of claim filed by any such non-debtor party shall be Allowed for voting purposes in the amount filed, unless the Debtors obtain a Bankruptcy Court order to the contrary prior to the Confirmation Hearing.

A vote may be disregarded if the Bankruptcy Court determines, pursuant to Bankruptcy Code Section 1126(e), that it was not solicited or procured in good faith or in accordance with the Bankruptcy Code.

B. Voting Procedures

Under the Bankruptcy Code, for purposes of determining whether the Requisite Acceptances have been received, only holders of Impaired Claims who actually vote by delivering a duly executed Ballot prior to the Voting Deadline will be counted.

This Disclosure Statement, including all Exhibits hereto, together with the related materials included herewith, and Ballots (defined below) (a "Solicitation Package"), are being furnished to all holders of Impaired Claims that are entitled to vote. If you believe you are entitled to vote on the Plan and you have not received these documents, you can request them from counsel for the Debtors at the address in Section VI.C., below. The Debtors will also provide these documents to the members of the Creditors' Committee and the Equity Committee and to any other Creditor or Interest holder who requests them in writing at the address set forth in Section VI.C., below.

All votes to accept or reject the Plan must be cast by using the ballot (the "Ballot") enclosed with this Disclosure Statement. No other votes will be counted. You should provide all of the information requested by the Ballots you receive. You should complete and return all Ballots that you receive in the return envelope provided with each such Ballot.

C. Voting Deadline

IN ORDER TO BE COUNTED, BALLOTS MUST BE APPROPRIATELY COMPLETED, PERSONALLY SIGNED AND RECEIVED BY THE VOTING AGENT AT THE FOLLOWING ADDRESS NO LATER THAN 4:00 P.M. (PHOENIX TIME) ON MARCH __, 2000 (THE "VOTING DEADLINE"):

[insert Address]

Except to the extent requested by the Debtors or as permitted by the Bankruptcy Court pursuant to Fed. R. Bankr. P. 3018, Ballots received after the Voting Deadline will not be counted or otherwise used in connection with the Debtors' request for confirmation of the Plan (or any permitted modification thereof).

IN NO CASE SHOULD A BALLOT BE DELIVERED TO ANY ENTITY OTHER THAN THE VOTING AGENT, AND IN NO CASE SHOULD ANY EQUITY SECURITIES OR DEBENTURES BE DELIVERED TO THE DEBTORS OR ANY OF THEIR ADVISORS, INCLUDING THE VOTING AGENT.

D. Vote Required for Class Acceptance

In order for a Class to accept the Plan, at least two-thirds in dollar amount and more than one-half in number of the Claims Allowed for voting purposes of each impaired class of Claims that are actually voted must be cast for acceptance of the Plan.

E. Fiduciaries And Other Representatives

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or another acting in a fiduciary or representative capacity, such person should indicate such capacity when signing and, unless otherwise determined by the Debtors, must submit proper evidence satisfactory to the Debtors of authority to so act. Authorized signatories should submit the separate Ballot of each beneficial owner for whom they are voting.

F. Defects And Irregularities

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Voting Agent and the Debtors in their sole discretion, which determination will be final and binding. As indicated below under "Withdrawal of Ballots; Revocation," effective withdrawals of Ballots must be delivered to the Voting Agent prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel be unlawful. The Debtors further reserve the right to waive any defects or irregularities of conditions of delivery as to any particular Ballot. The interpretation (including the Ballot and the respective instructions thereto) by the Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

G. Withdrawal Of Ballots: Revocation

Any party who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Voting Agent at any time prior to the Voting Deadline. A notice of withdrawal, to be valid, must (i) contain the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s), (ii) be signed by the withdrawing party in the same manner as the Ballot being withdrawn, (iii) contain a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the vote sought to be withdrawn and (iv) be received by the Voting Agent in a timely manner at the address set forth in Section VI.C. above. Prior to the filing of the Plan, the Debtors intend to consult with the Voting Agent to determine whether any withdrawals of Ballots were received and whether the Requisite Acceptances of the Plan have been received. As stated above, the Debtors expressly reserve the absolute right to contest the validity of such withdrawals of Ballots. In the case where more than one timely, properly completed Ballot is received, only the Ballot which bears the latest date will be counted for purposes of determining whether the Requisite Acceptances have been received.

1 Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of
2 Ballots which is not received in a timely manner by the Voting Agent will not be effective to
3 withdraw a previously cast Ballot.

4 **H. Further Information; Additional Copies**

5 If you have any questions or require further information about the voting procedure for
6 voting your Claim or about the packet of material received, or if you wish to obtain an additional
7 copy of the Plan, the Disclosure Statement or any exhibits to such documents (at your own
8 expense, unless otherwise specifically required by Fed. R. Bankr. P. 3017(d)), please contact the
9 Voting Agent:

10 [To Be Added]
11 _____
12 _____
13 _____

14 **VII. CONFIRMATION OF THE PLAN**

15 Described below are certain important considerations under the Bankruptcy Code in
16 connection with confirmation of the Plan.

17 **A. Confirmation Hearing**

18 The Bankruptcy Court has scheduled the Confirmation Hearing for March __, 2000 at
19 _____.m. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy
20 Court without further notice except for an announcement made at the hearing or any adjourned
21 hearing.

22 **B. Objections to Confirmation of the Plan**

23 Bankruptcy Code Section 1128(b) provides that any party in interest may object to
24 confirmation of the Plan, regardless of whether it is entitled to vote. The Bankruptcy Court has
25 directed that, at or before 4:00 p.m. (Phoenix time) on March __, 2000, any written objections to
26 the Plan must be filed with the Bankruptcy Court and served upon counsel for the Debtors and
27 other parties in interest. Objections to confirmation must (a) be in writing, (b) comply with the
28 Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules, (c) set forth the name
of the objector, and the nature and amount of any Claim or Interest asserted by the objector
against or in BCI, BCREI or the Boston Chicken Affiliates, the applicable Estate or its property,
and (d) state with particularity the legal and factual bases for the objection. Objections to the
Plan are governed by Bankruptcy Rule 9014. **OBJECTIONS TO CONFIRMATION THAT
ARE NOT TIMELY FILED AND SERVED MAY NOT BE CONSIDERED BY THE
BANKRUPTCY COURT AND MAY BE OVERRULED SOLELY BECAUSE THEY ARE
UNTIMELY.**

C. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of Bankruptcy Code Sections 1129(a) and (b) have been satisfied and, if it so determines, will enter a Confirmation Order. The requirements of Bankruptcy Code Section 1129(a) are the following:

1. The Plan complies with the applicable provisions of the Bankruptcy Code;
2. The Debtors have complied with the applicable provisions of the Bankruptcy Code;
3. The Plan has been proposed in good faith and not by any means forbidden by law;
4. Any payment made or promised by the Debtors or by a person acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;
5. The Debtors have disclosed (i) the identity and affiliations of (x) any individual proposed to serve, after confirmation of the Plan, as the Plan Trustee, (y) all affiliates in the joint Plan, or (z) any successor to the Debtors under the Plan (and the appointment to, or continuance in, such office of such individual(s) is consistent with the interests of Creditors and Interest holders and with public policy), and (ii) the identity of any insider that will be employed or retained by the Plan Trustee and the nature of any compensation for such insider;
6. With respect to each Class of Claims or Interests, each Impaired Creditor and Impaired Interest holder either has accepted the Plan or will receive or retain under the Plan on account of the Claims or Interests held by such entity, property of a value, as of the Effective Date, that is not less than the amount that such entity would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code. See Section “Best Interests Test/Liquidation Under Chapter 7;”
7. The Plan provides that Administrative Claims and other Priority Claims will be paid in full on the Initial Distribution Date or such later date as they are due by their own terms, except to the extent that the holder of any such Claim has agreed to a different treatment;
8. At least one Class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by insiders holding Claims in such Class;
9. Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan; and
10. The Plan provides for the continuation after the Effective Date of all retiree benefits, if any, at the level established pursuant to Bankruptcy Code Section 1114(e)(1)(B) or

1 1114(g), at any time prior to confirmation of the Plan for the duration of the period the Debtors
2 have obligated themselves to provide such benefits. The Debtors do not have any such retiree
3 benefits.

4 The Debtors believe that, upon receipt of the Requisite Acceptances by at least one Class
5 of Impaired Creditors, the Plan will satisfy all the statutory requirements of Chapter 11 of the
6 Bankruptcy Code, that the Debtors have complied or will have complied with all of the
7 requirements of Chapter 11, and that the Plan is being proposed and will be submitted to the
8 Bankruptcy Court in good faith.

9 **D. Feasibility of the Plan**

10 Bankruptcy Code Section 1129(a)(11) requires that the Bankruptcy Court find that
11 confirmation of the Plan is not likely to be followed by the liquidation or the need for further
12 financial reorganization of the Debtors unless such liquidation is proposed in the Plan.

13 The Plan expressly provides for the liquidation of most of the Debtors' assets through the
14 sale to the Buyer. The Plan will become effective only if that sale is consummated. That sale
15 generates the Cash necessary to fund all initial payments under the Plan and to establish a
16 reasonable reserve for the costs of administering the Retained Assets. The Plan Trustee will
17 promptly liquidate the Retained Assets or surrender them to the Secured Creditors holding Liens
18 on them. The Plan satisfies Bankruptcy Code §1129(a)(11), because it provides for the
19 liquidation of substantially all of the Debtors' assets and creates a fund from which all Allowed
20 Priority Claims can be paid.

21 **E. Confirmation Without Acceptance of All Impaired Classes – “Cramdown”**

22 The Debtors will request confirmation of the Plan, as it may be modified from time to
23 time, under Section 1129(b) of the Bankruptcy Code, and has reserved the right to modify the
24 Plan to the extent, if any, that confirmation pursuant to Bankruptcy Code Section 1129(b)
25 requires modification.

26 Bankruptcy Code Section 1129(b) provides that a plan can be confirmed even if it is not
27 accepted by all impaired classes of claims and interests, as long as at least one impaired class of
28 claims (without including any acceptances of the plan by an insider) has accepted it. Thus, if the
Requisite Acceptances are received, the Bankruptcy Court may confirm a plan notwithstanding
the rejection, deemed or otherwise, of an impaired class of claims or interests if the plan “does
not discriminate unfairly” and is “fair and equitable” as to each Impaired Class that has rejected
the Plan.

A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a
rejecting impaired class is treated equally with respect to other classes with equal priority or
legal rights.

“Fair and equitable” has different meanings for secured claims, unsecured claims and
interests.

1 A plan is fair and equitable as to a class of secured claims that rejects the plan if the plan
2 provides (a)(i) that the holders of allowed claims in the rejecting class retain the liens securing
3 those claims (whether the property subject to those liens is retained by the Debtor or transferred
4 to another entity) to the extent of the allowed amount of such claims, and (ii) that each holder of
5 a claim in the rejecting class receives on account of its claim deferred cash payments totaling at
6 least the allowed amount of that claim, of a value, as of the effective date of the plan, of at least
7 the value of the holder's interest in the estate's interest in such property; (b) for the sale, subject
8 to Section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the
9 claims included in the rejecting class, free and clear of the liens, with the liens to attach to the
10 proceeds of the sale, and the treatment of the liens on proceeds under clause (a) or (c) of this
11 subparagraph; or (c) for the realization by such holders of the indubitable equivalent of such
12 claims.

13 A plan is fair and equitable as to a class of unsecured claims that rejects the plan, if the
14 plan provides (a) that each holder of a claim in the rejecting class will receive or retain on
15 account of its claim property that has a value, as of the effective date of the plan, equal to the
16 allowed amount of the claim; or (b) that no holder of a claim or interest that is junior to the
17 claims of the rejecting class will receive or retain under the plan any property on account of such
18 junior claim or interest.

19 A plan is fair and equitable as to a class of equity interests that rejects the plan if the plan
20 provides (a) that each holder of an interest included in the rejecting class receive or retain on
21 account of that interest property that has a value, as of the effective date of the plan, equal to the
22 greatest of the allowed amount of any fixed liquidation preference to which such holder is
23 entitled, any fixed redemption price to which such holder is entitled, or the value of such interest;
24 or (b) that no holder of an interest that is junior to the interest of the rejecting class will receive
25 or retain under the Plan any property on account of such junior interest.

26 As described above, holders of Claims and Interests in BCI Classes 6, 7, 9, 10, 11 and 12,
27 BCRI Classes 5 and 6, and Classes 6, 7, 8 and 9 of each BCA will not receive or retain property
28 under the Plan. Such Classes are deemed to have rejected the Plan. The Debtors (a) intend to
request confirmation of the Plan under Bankruptcy Code Section 1129(b) notwithstanding the
deemed rejection of the Plan by such Classes and (b) reserve the right to seek confirmation of the
Plan under Bankruptcy Code Section 1129(b) notwithstanding the rejection of the Plan by other
classes of Claims.

The Debtors believe that the treatment under the Plan of the holders of Claims and
Interests in such Classes will satisfy the "fair and equitable" test because no Class junior to any
of these non-accepting Classes (and any other unsecured Class that may reject the Plan) will
receive or retain any property under the Plan. In addition, the Debtors do not believe that the
Plan unfairly discriminates against any dissenting Class because all dissenting Classes of equal
rank are treated equally under the Plan.

F. Alternatives to Confirmation and Consummation of the Plan

The Debtors believe that the Plan affords holders of Claims the potential for the greatest
realization on the Debtors' assets and, therefore, is in the best interests of such holders. If,

1 however, the Requisite Acceptances are not received, or the Requisite Acceptances are received
2 and the Plan is not confirmed and consummated, the theoretical alternatives include: (a)
3 formulation of an alternative plan or plans of reorganization, or (b) liquidation of the Debtors
under Chapter 7 or 11 of the Bankruptcy Code.

4 1. Continued Operations: Indefinite Delay In The Plan Process.

5 The Debtors' operations have improved substantially so that if the Asset Purchase
6 Agreement and the Plan were not approved by this Court, continued operations of the Debtors'
7 businesses might be the best way to maximize long term value and, thus, the total return to all
8 Creditors. Such an approach would, however, have substantial risks including: (i) the increase
9 in sales is over a relatively short period and there is no guarantee that this increase is a
10 sustainable long term trend; (ii) the fact the Debtor's business is seasonal, with much lower
11 revenues during the first two months of each calendar year (i.e., the Debtors are heading into
12 their slowest sales months), (iii) the DIP Lenders might seek to enforce their rights under the DIP
13 Facility, thereby potentially compelling the Debtors to cease operations;¹ and (iv) the DIP
14 Facility expires by its own terms on April 4, 2000. Continued operations could actually reduce
15 the ultimate value received if sales volumes either decline from current levels or do not continue
16 to improve. Moreover, continued operations would certainly delay the ultimate distribution to
17 Creditors and increase the Debtors' administrative costs.

18 Based on the foregoing factors, the Debtors agreed with the 1996 Lenders to proceed
19 with the efforts to market the Estates' assets, even as their operating results continued to
20 improve. The highest gross purchase price offered was by the Buyer. Based on comparable
21 sales data provided by Lazard, this is a fair price. Based on Lazard's extensive marketing efforts
22 and the number of potential buyers with whom the Debtors have negotiated, the Debtors do not
23 believe it is likely they could obtain a higher price at this time.

24 The 1996 Lenders, the parties who would bear the bulk of the risk and receive most of the
25 benefit of any increase in value generated by continued operations, strongly support the Asset
26 Purchase Agreement and the Plan.² If the realizable value declines, the Secured Creditors will

27 ¹ The DIP Lenders had granted a series of short-term waivers of EBITDAL covenant defaults under the DIP Facility,
28 thereby restricting the availability of funds necessary to continued operation of the Debtors' businesses. When the
Debtors entered into the Asset Purchase Agreement, the DIP Lenders were in a position to contend that the Debtors
were, or would shortly be, in covenant default under the DIP Facility. The DIP Lenders indicated they might seek to
enforce their rights, to the detriment of all Creditors, if they were faced with an indefinite delay in the filing of a
plan. Since entering into the Asset Purchase Agreement, the DIP Lenders and the Debtors have entered into a sixth
amendment to the DIP Facility, which waives the EBITDAL covenant default through February 18, 2000, but
creates an event of default if the Asset Purchase Agreement is terminated by the Buyer under certain circumstances
or by the Debtors without the DIP Lenders' consent.

² The total Allowed Claims of Creditors with Liens total approximately \$285.4 million. The total purchase price, net
of administrative costs of consummating the sale, is approximately \$93.6 million. The Retained Assets that are
subject to Liens may have a value of approximately \$10.0 million. The deficiencies of the Secured Creditors,
therefore, will total approximately \$181.8 million, if the sale to the Buyer is consummated. If the Proceeds were
increased by anything less than this amount the benefit of that increase would inure primarily (if not exclusively) to
the Secured Creditors. The bulk of that increase would probably go to the 1996 Lenders.

1 bear all or virtually all of that loss. If the realizable value increases, the Secured Creditors would
2 receive approximately the first \$181.8 million of that increase. See footnote 2. Under these
3 circumstances, the fact the 1996 Lenders urged the Debtors to enter into the Asset Purchase
4 Agreement and opposed incurring the risks of further operations, was an important consideration
5 in the Debtors' ultimate decision to accept the Buyer's offer.

6 2. Alternative Plan(s)

7 If the Requisite Acceptances are not received or if the Plan is not confirmed, the Debtors
8 (or, if the Debtors' exclusive periods in which to file and solicit acceptances of a reorganization
9 plan have expired, any other party-in-interest) could attempt to formulate and propose a different
10 plan or plans of reorganization. Such a plan or plan(s) might involve either a reorganization and
11 continuation of the Debtors' businesses or an orderly liquidation of assets.

12 With respect to an alternative plan, the Debtors evaluated various reorganization
13 strategies and have explored various other alternatives in connection with the extensive
14 negotiation process involved in the formulation and development of the Plan. The Debtors
15 believe that the Plan: (i) is the safest option available because it eliminates the risks inherent in
16 continued operations and potential litigation with the DIP Lenders over the availability of credit
17 under the DIP Facility; (ii) generates the highest gross purchase price offered by any of the
18 potential buyers that expressed an interest in the Debtors' assets; and (iii) compared to any
19 alternative plan of reorganization, the Plan has the greatest chance to be confirmed and
20 consummated, because it is strongly supported by the 1996 Lenders.

21 3. Marketing Efforts

22 The Debtors believe that their extensive marketing efforts have generated the best offer
23 that can be obtained at this time. Commencing in April 1999, Lazard engaged in extensive
24 public marketing efforts, contacted over 80 potential buyers, and sent confidential materials to 49
25 potential buyers who signed confidentiality agreements. Twenty of these potential buyers
26 conducted additional due diligence and received additional confidential materials and five
27 potential buyers submitted formal bids to the Debtors for substantially all of the Debtors' assets.

28 The Debtors received their first bid for substantially all of the Debtors' assets on July 26,
1999 from Boston Market Acquisition Company ("BMAC"). BMAC's bid consisted of
approximately \$105.0 million cash and \$35.0 million in assumed liabilities. The Company
continued negotiations with BMAC in an effort to secure a "stalking horse" bidder. On
September 8, 1999, talks with BMAC were discontinued and the general auction was resumed.
With the assistance of the Debtors and the 1996 Lenders, Lazard established a revised outline for
bidding procedures that called for final bids to be submitted on September 21, 1999. During the
period between September 8 and September 21, Lazard contacted new parties and contacted
parties that had previously declined to participate in the process. Lazard facilitated the due
diligence efforts of interested parties up to and through the bid deadline. As a result of this
process, Lazard received five bids for substantially all the assets of the Company. An additional
bid for certain stores only was also submitted.

Each of the five bidders was provided the opportunity to make a presentation to the Debtors, the 1996 Lenders, and their respective advisors. With the assistance of the Debtors and its senior lenders, Lazard negotiated with each of the bidders in an effort to improve the bids. During the course of these negotiations, it became apparent that certain of the bidding parties might not have the requisite financing to complete the transaction or were unwilling to make the contract concessions necessary for an acceptable transaction. In addition, as the value of the bids increased, additional parties withdrew from the process. Lazard, working closely with the Debtors and the advisors to the 1996 Lenders, negotiated the final terms of the bid with the two highest bidders. Once an agreement was reached in principle with the winning bidder, Lazard, the Debtors, the Debtors' counsel, and the 1996 Lenders and their advisors, finalized the Asset Purchase Agreement, culminating in the announcement on December 1, 1999 that an agreement had been reached with the Buyer and McDonald's. To protect the Estates in the event there is a potential bidder willing to pay more than the Buyer, the Debtors have obtained Bankruptcy Court approval for a formal overbid procedure for receiving competing bids prior to the Disclosure Statement hearing. The Debtors believe that the proposed sale pursuant to the Plan will preserve, to the greatest extent possible, the going concern value of the Debtors' business.

4. Best Interests Test/Liquidation Under Chapter 7

Even if the Plan is accepted by each Class of holders of Impaired Claims, the Bankruptcy Court must find that the Plan is in the best interests of all holders of Claims that are Impaired by the Plan and that have not accepted the Plan. The "best interests" test, set forth in Section 1129(a)(7) of the Bankruptcy Code, requires the Bankruptcy Court to find either that all members of an impaired class of claims have accepted the Plan or that the Plan will provide a member who has not accepted the Plan with property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would receive if the debtor were liquidated under Chapter 7 of the Bankruptcy Code on that date.

To calculate the probable distribution to members of each impaired class of claims if a debtor were liquidated under Chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its Chapter 11 case were converted to a Chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a Chapter 7 trustee.

This liquidation value would be distributed based on statutory priorities (i.e., no junior class of claims may be paid anything unless all classes of claims senior to such junior class are paid in full). Bankruptcy Code section 510(a) provides that subordination agreements are enforceable in bankruptcy cases to the same extent that they are enforceable under applicable non-bankruptcy law. Therefore, no class of claims that is contractually subordinated to another class would receive any payment on account of its claims, unless all senior classes are paid in full. It is, therefore, exceedingly unlikely that Subordinated Creditors could receive anything in the event of a conversion.

The Debtors believe that under the Plan all holders of Impaired Claims and Impaired Interests will receive property with a value not less than the value such holder would receive in a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code. The Debtors' belief is based primarily on the following facts: (i) Chapter 7 would substantially reduce the proceeds available

1 for distribution to Creditors, including, but not limited to, (a) the increased costs and expenses of
2 a liquidation under Chapter 7 arising from fees payable to a Chapter 7 trustee and professional
3 advisors to the trustee, (b) the erosion in value of assets in a Chapter 7 case in the context of the
4 rapid liquidation required under Chapter 7 and the “forced sale” atmosphere that would prevail,
5 (c) the adverse effects on the Debtors’ businesses as a result of the likely departure of key
6 employees, (d) the substantial increases in claims, such as estimated contingent claims, which
7 would be satisfied on a priority basis or on parity with the nonpriority unsecured Creditors, (e)
8 the reduction of value associated with a Chapter 7 trustee’s likely cessation of operations, and (f)
9 the substantial delay in distributions to the Debtors’ Creditors that would likely ensue in a
10 Chapter 7 liquidation; and (ii) the liquidation analysis prepared by the Debtors with the
11 assistance of Lazard, which is annexed to this Disclosure Statement as Exhibit D (the
12 “Liquidation Analysis”).

13 The Debtors believe that any liquidation analysis is speculative, as such an analysis
14 necessarily is premised on assumptions and estimates which are inherently subject to significant
15 uncertainties and contingencies, many of which would be beyond the Debtors’ control. Thus,
16 there can be no assurance as to values that would actually be realized in a Chapter 7 liquidation,
17 nor can there be any assurance that a Bankruptcy Court would accept the Debtors’ conclusions or
18 concur with such assumptions in making its determinations under Bankruptcy Code section
19 1129(a)(7).

20 For example, the Liquidation Analysis attached hereto as Exhibit “D” necessarily
21 contains an estimate of the amount of Claims which will ultimately become Allowed Claims.
22 This estimate is based on the Debtors’ review of their books and records and the Claims filed in
23 the Chapter 11 Cases and their estimation of the Claims that might arise in the event of a
24 conversion of the cases from Chapter 11 to Chapter 7. The Bankruptcy Court has not estimated
25 or fixed the amount of Claims at the projected amounts of Allowed Claims set forth in the
26 Liquidation Analysis. The estimate of the amount of Allowed Claims set forth in the Liquidation
27 Analysis should not be relied on for any other purpose, including, without limitation, any
28 determination of the value of any distribution to be made on account of Allowed Claims under
the Plan.

To the extent that confirmation of the Plan requires the establishment of amounts for the
Chapter 7 liquidation value of the Debtors, funds available to pay Claims, and the reorganization
value of the Debtors, the Bankruptcy Court will determine those amounts at the Confirmation
Hearing. Accordingly, the annexed Liquidation Analysis is provided solely to disclose to
holders the effects of a hypothetical Chapter 7 liquidation of the Debtors, subject to the
assumptions set forth therein.

If no plan is confirmed, the Chapter 11 Cases may be converted to cases under Chapter 7.
In chapter 7 a trustee would be elected or appointed to liquidate the Debtors’ assets for
distribution to Creditors in accordance with the priorities set by the Bankruptcy Code. It is
impossible to predict precisely how the proceeds of the liquidation would be distributed to the
respective holders of Claims against or Interests in the Debtors. The Debtors believe, however,
that the distributions to each Creditor in chapter 7 would be less than or equal to the distributions
they would receive under the Plan.

G. Modifications and Amendments

The Debtors may alter, amend, or modify the Plan or any Exhibits thereto under Section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date. After the Confirmation Date and prior to “substantial consummation” of the Plan, as defined in Section 1101(2) of the Bankruptcy Code, the Debtors may, under Section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement approved with respect to the Plan, or the Confirmation Order, and such matters as may be necessary to carry out the purpose and effect of the Plan so long as such proceedings do not adversely affect the treatment of holders of Claims or Interests under the Plan; *provided, however*, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

H. Effects Of Confirmation

1. Binding Effect

From and after the Effective Date, the Plan will be binding upon and inure to the benefit of the Debtors, all present and former holders of Claims against and Interests in the Debtors, whether or not such holders will receive or retain any property or interest in property under the Plan, their respective successors and assigns.

2. Permanent Injunction

Except as otherwise expressly provided in the Plan or the Confirmation Order, all entities who have held, hold or may hold Claims against, or Interests in, the Debtors will be permanently enjoined, on and after the Effective Date, from (i) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the property of the Estates or the proceeds of such property, including without limitation property transferred to the Buyer (except with respect to liabilities expressly assumed by the Buyer) or the Plan Trust, on account of any such Claim or Interest, (ii) creating, perfecting or enforcing any encumbrance of any kind against the property or interests in such property while it remains in the Estates or the Plan Trust, on account of any such Claim or Interest, (iii) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from any of the Debtors or against the property or interests in property of any of the Debtors on account of any such Claim or Interest, and (iv) asserting any Claim or Interest against Buyer or McDonald’s other than Claims directly related to the assumed liabilities or rights under the Executory Contracts that are assigned to the Buyer.

3. Exculpation and Limitation on Liability

Neither the Debtors, nor any of their respective present or former members, officers, directors, employees, advisors, attorneys, or agents, shall have or incur any liability to any holder of a Claim or an Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the sale of the Debtors’ assets pursuant to the Asset Purchase Agreement, the

solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Estates or of the Plan or the property to be distributed under the Plan, and in all respects they shall be entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities under the Plan.

Notwithstanding any other provision of this Plan, no holder of a Claim or Interest, no other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, and no successors or assigns of the foregoing, shall have any right of action against any Debtor, or any of their respective present or former members, officers, directors, employees, advisors, attorneys, or agents, for any act or omission in connection with, relating to, or arising out of the Chapter 11 Cases, the sale of the Debtors' assets pursuant to the Asset Purchase Agreement, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Estates or of the Plan or the property to be distributed under the Plan, and in all respects they shall be entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities under the Plan.

VIII. CERTAIN RISK FACTORS RELATING TO THE PLAN

Holders of Impaired Claims who are entitled to vote on the Plan should carefully consider the following risk factors before deciding whether to vote to accept or to reject the Plan.

A. Failure to Confirm the Plan

Even if the Requisite Acceptances are received, the Bankruptcy Court may choose not to confirm the Plan. Although the Debtors believe that the Plan should be confirmed, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

B. Failure to Consummate the Plan

1. Failure of Conditions Precedent to the Confirmation and the Effective Date of the Plan

Certain conditions must be satisfied in order for the Plan to become effective and for the sale pursuant to the Asset Purchase Agreement to be consummated. Unless such conditions are fully satisfied, or waived in accordance with the applicable provisions of the Plan, the Bankruptcy Code and the Asset Purchase Agreement, the transactions contemplated in the Plan will not be consummated, and the Plan will not become effective.

Although the Debtors believe that each such condition can be satisfied, the ability to satisfy certain of the conditions is dependent on rulings by the Bankruptcy Court which are favorable to the Debtors. Furthermore, while the Debtors have well supported arguments for their positions with respect to the issues to be decided by the Bankruptcy Court and believe in good faith that they can prevail with respect to the requested rulings, the outcome of any particular ruling cannot be guaranteed. In addition, one of the conditions is an agreement with the Plan Trustee and the 1996 Lenders regarding adequate funding for the administration of the Plan Trust. If such an agreement cannot be reached, the Plan will not become effective.

1 2. Termination of the Purchase Agreement

2 The Buyer or the Debtors (with the consent of the 1996 Lenders) may terminate the Asset
3 Purchase Agreement under certain circumstances. See Asset Purchase Agreement Sections 7
4 and 10. If the Asset Purchase Agreement is terminated, then the sale of the assets will not close
and the Effective Date will not occur.

5 In addition to entry of the Confirmation Order, the conditions to Buyer's obligation to
6 consummate the purchase include:

7 a. The Debtors shall have terminated their employee benefit plans, unless
8 prohibited by law;

9 b. J. Michael Jenkins shall have continued to be the chief executive officer to
the Closing (other than as a result of death or disability);

10 c. Debtors' computer hardware and software shall be year 2000 compliant in
11 all material respects;

12 d. There is no material misrepresentation or breach of any covenant in the
13 Asset Purchase Agreement; or

14 e. There is no material adverse change in the Debtors' operations or assets,
15 other than a change caused by Buyer.

16 Consummation of the sale is a condition precedent to implementation of the Plan.

17 3. No Payments To Unsecured Creditors

18 Even if the Plan is consummated there is a substantial chance that there will be no
19 payments to unsecured creditors. Before any payments to unsecured creditors can be made from
20 the unencumbered assets, the 1996 Lenders must recover the amounts paid to Priority Creditors
21 from their Collateral and any Adequate Protection Obligations they may have. The sum of the
22 Allowed Claims could exceed the value of all unencumbered assets. If that is the case, no
distribution will be made to Unsecured Creditors and the Debtors believe Unsecured Creditors
would also receive no distribution in Chapter 7.

23 **C. Distribution Risks**

24 The Plan contemplates the resolution of many of the Disputed Claims and the allocation
25 of the Cash Consideration price among assets after the Closing Date. Most of the Proceeds will
26 likely be allocated to Collateral and, thus, distributed to holders of Allowed Secured Claims. To
27 the extent any of the Cash Consideration is not encumbered, it will be used to pay Priority
28 Claims. There is, therefore, a high probability that General Unsecured Creditors will receive a
distribution only if the unencumbered Retained Assets, including Litigation Assets, can generate
an amount in excess of Allowed Priority Claims. **UNSECURED CREDITORS MAY
RECEIVE NO DISTRIBUTION EVEN IF THE PLAN IS CONFIRMED.** The Debtors
believe that if this occurs, unsecured creditors would also receive no distribution in a Chapter 7.

BC REAL ESTATE INVESTMENTS, INC.

By: /s/
Name: J. Michael Jenkins
Title: President

BCI ACQUISITION SUB, L.L.C.

By: Boston Chicken, Inc.,
its Managing Member

By: /s/
Name: Greg Uhing
Title: Senior Vice President

BC NEW YORK, L.L.C.

By: Boston Chicken, Inc.,
its Managing Member

MID-ATLANTIC RESTAURANT
SYSTEMS, INC.

By: /s/
Name: J. Michael Jenkins
Title: President

By: /s/
Name: Greg Uhing
Title: Senior Vice President

BC GREAT LAKES, L.L.C.

By: Boston Chicken, Inc.,
its Managing Member

FINEST FOODSERVICE, L.L.C.

By: Boston Chicken, Inc.,
its Managing Member

By: /s/
Name: Greg Uhing
Title: Senior Vice President

By: /s/
Name: Greg Uhing
Title: Senior Vice President

BC HEARTLAND, L.L.C.

By: Boston Chicken, Inc.,
its Managing Member

BC TRI-STATES, L.L.C.

By: Boston Chicken, Inc.,
its Managing Member

By: /s/
Name: Greg Uhing
Title: Senior Vice President

By: /s/
Name: Greg Uhing
Title: Senior Vice President

1 R&A FOOD SERVICES, L.P.

2 By: BCI R&A, Inc., its General Partner

3
4 By: _____/s/
5 Name: J. Michael Jenkins
6 Title: President

7 BCE WEST, L.P.

8 By: BCI West, Inc., its General Partner

9
10 By: _____/s/
11 Name: J. Michael Jenkins
12 Title: President

13 BUFFALO P&L FOOD SERVICES, INC.

14
15 By: _____/s/
16 Name: J. Michael Jenkins
17 Title: President

18 PROGRESSIVE FOOD CONCEPTS., INC.

19
20 By: _____/s/
21 Name: J. Michael Jenkins
22 Title: President

23 AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.
Attorneys for the Debtors

24 By: JEFFREY C. KRAUSE (Cal. Bar No. 94053)
25 JEFFREY C. KRAUSE
26 CECIL SCHENKER
27 H. REY STROUBE
28

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EXHIBIT A – PLAN

EXHIBIT B – CONSOLIDATED BALANCE SHEET

Report of Independent Auditors

To the shareholders and board of directors of Boston Chicken, Inc.:

We have audited the accompanying consolidated balance sheet of Boston Chicken, Inc. and subsidiaries (the "Company") as of December 27, 1998. This consolidated balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated balance sheet based on our audit. We did not audit the balance sheet of Einstein/Noah Bagel Corp. and subsidiaries ("ENBC"), which statement reflects total assets of \$375,142,000 constituting thirty-five percent of the related consolidated total assets. That balance sheet was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for ENBC, is based solely on the report of the other auditors.

We conducted our audit of the consolidated balance sheet in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

We were also engaged to audit the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended, which are not presented herein. However, we were not appointed auditors for the Company until October 1998 and sufficient evidence supporting certain of the Company's financial transactions, including its allowance for loan losses at December 28, 1997, its vendor payments and commitments, and its accounting for certain lease agreements is no longer available. In addition, we were not able to satisfy ourselves regarding these items by means of other auditing procedures. These transactions enter materiality into the determination of results of operations and cash flows for the year ended December 27, 1998.

Because of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the consolidated statements of operations, changes in stockholders' equity, and cash flows for the fiscal year ended December 27, 1998.

In our opinion, based on our audit and the report of the other auditors, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of the Company as of December 27, 1998, in conformity with generally accepted accounting principles.

The accompanying consolidated balance sheet has been prepared assuming the Company will continue as a going concern. As discussed in Notes 1 and 2 to the balance sheet, Boston Chicken Inc. and its Boston Market-related subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Federal Bankruptcy Code and are currently operating their business as debtors-in-possession. The Company has an accumulated net capital deficiency of \$1,391,905,000 and has funds available under its debtor-in-possession credit facility, as well as a waiver of covenant violation, only through February 18, 2000, unless further amended by the lenders to the credit facility. These factors raise substantial doubt about Boston Chicken Inc.'s ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 and Note 12. The consolidated balance sheet does not include any adjustments that might result from the outcome of these uncertainties.

PRICEWATERHOUSECOOPERS LLP

Denver, Colorado

August 3, 1999, except for Note 12, as to which the date is December 20, 1999

BOSTON CHICKEN, INC. AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 27, 1998
(in thousands, except share data)

ASSETS

Current assets:

Cash and cash equivalents	\$ 11,662
Accounts receivable, net.....	2,453
Inventories	23,333
Prepaid expenses and other current assets	<u>5,231</u>
Total current assets	42,679
Property and equipment, net	511,064
Notes receivable, net	8,035
Intangible assets, net	490,909
Other assets, net	<u>5,953</u>
Total assets.....	<u>\$ 1,058,640</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:

Accounts payable	\$ 26,948
Accrued expenses and other current liabilities	63,367
Deferred revenue	2,881
Collateralized debt obligations and notes payable	282,336
Debtor-in-Possession debt.	<u>39,690</u>
Total current liabilities	415,222
Other noncurrent liabilities	6,950
Deferred revenue	39,290
Long-term debt and notes payable - Boston Chicken, Inc.	558
Long-term debt and notes payable - Einstein/Noah Bagel Corp.	148,625
Liabilities subject to compromise (see note 8)	
Debt obligations	637,448
Other.....	68,074
Minority interests	109,039
Commitments and contingencies (see note 10)	
Redeemable preferred stock (see notes 3 and 7)	84,328
Stockholders' equity:	
Preferred stock - \$.01 par value; 20,000,000 shares authorized; no shares issued and outstanding.....	—
Common stock - \$.01 par value; 480,000,000 shares authorized; 77,130,853 shares issued and outstanding.....	771
Additional paid-in capital	940,240
Accumulated deficit	<u>(1,391,905)</u>
Total stockholders' deficit	<u>(450,894)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 1,058,640</u>

The accompanying notes to the consolidated balance sheet are an integral part of this statement.

BOSTON CHICKEN, INC. AND SUBSIDIARIES

(Debtor-in-Possession)

NOTES TO CONSOLIDATED BALANCE SHEET

1. Description of Business

Boston Chicken, Inc. ("BCI") operates and franchises food service restaurants under the Boston Market brand name which specialize in fresh, convenient meal solutions featuring home-style entrees, sandwiches, freshly prepared vegetables, salads, and desserts. BCI's 51%-owned subsidiary, Einstein/Noah Bagel Corp. ("ENBC"), operates specialty retail stores that feature fresh-baked bagels, proprietary cream cheeses, coffees and teas, and soups, salads and sandwiches. Unless otherwise indicated, BCI and its subsidiaries (excluding ENBC), are hereinafter referred to collectively as the "Company."

On October 5, 1998, BCI and its Boston Market-related subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Federal Bankruptcy Code in the U.S. Bankruptcy Court for the District of Arizona in Phoenix. The Company is currently operating its business as a debtor-in-possession, subject to the jurisdiction of the Bankruptcy Court. As a debtor-in-possession, the Company is authorized to operate its business, but may not engage in transactions outside of the normal course of business without approval, after notice and hearing, of the Bankruptcy Court. The Chapter 11 cases are being jointly administered for procedural purposes by the Bankruptcy Court under Case No. 98-12547, Caption In re: BCE West, L.P. All court filings in connection with the Company's bankruptcy can be accessed on the Internet at <http://ecf.azb.uscourts.gov>. ENBC is not included in the Chapter 11 filings.

The Bankruptcy Court has approved the employment of an investment advisor, Lazard Freres & Co. LLC ("Lazard"), to assist the Company in formulating alternative plans of reorganization in connection with the Company's Chapter 11 reorganization. Lazard has also advised and assisted the Company in preparing the documentation necessary to permit the Company to explore strategic alternatives, including potential investment proposals from strategic or financial investors or buyers. See Note 12. The Company has publicly disclosed that holders of the Company's capital stock will retain no value under a plan of reorganization or otherwise, and the Company anticipates that holders of its convertible subordinated debt securities also will not retain any value under a plan of reorganization. The Company's equity and debt securities will be cancelled upon plan confirmation. Also, it is expected that loans from collateralized lenders will be impaired in connection with a plan of reorganization.

As part of the Chapter 11 reorganization process, the Company has attempted to notify all known or potential creditors of the Chapter 11 filings for the purpose of identifying all pre-petition claims against the Company. Creditors whose claims arose prior to the petition date had until March 31, 1999 ("Bar Date") to file claims or be barred from asserting claims in the future. Claims arising from rejection of executory contracts by the Company, and claims related to certain other items were permitted to be filed by other dates set by the Bankruptcy Court. Differences between amounts shown by the debtors and claims filed by creditors will either be amicably resolved or adjudicated. The ultimate amount of, and settlement terms for, such liabilities are subject to the plan of reorganization when confirmed, and accordingly are not presently determinable.

Also on October 5, 1998, the Company notified BC Northwest, L.P. and Boston West, L.L.C., two of its three remaining area developers, that the Company would not provide them any additional funding under their loans from the Company. On October 11, 1998, BC Northwest, L.P. closed all of its 56 Boston Market restaurant locations and subsequently filed for Chapter 7 liquidation under the Federal Bankruptcy Code. Boston West, L.L.C. filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code on November 9, 1998 and closed 11 restaurants in the fourth quarter of 1998. At the end of 1998, Boston West, L.L.C. operated 87 Boston Market restaurants and expects to file a plan of reorganization in 1999.

At the end of 1998, the Company had acquired a controlling interest in 14 of its 17 area developers, changing the focus of the Boston Market restaurant system from a franchise system to a predominantly company controlled system, as has ENBC, which acquired a majority equity interest in all of its area developers in the fourth quarter of 1997. Prior to these acquisitions, the Company and ENBC generated revenues primarily as a lender, franchisor and service provider to the financed area developers.

At the end of 1998, there were 898 Boston Market restaurants systemwide in the United States, consisting of 11 franchise restaurants, 128 restaurants owned by area developers and 759 restaurants owned by the Company. A majority-owned subsidiary of ENBC operated all 546 ENBC stores in the United States at the end of 1998.

2. Summary of Significant Accounting Policies

Basis of Presentation. The accompanying consolidated balance sheet includes the accounts of BCI and its majority-owned subsidiaries (including ENBC). All material intercompany transactions and balances have been eliminated in consolidation.

The balance sheet has been prepared on a going concern basis pursuant to Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code", which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. As a result of the Company's Chapter 11 filings, however, such matters are subject to significant uncertainty. Continuing on a going concern basis is dependent upon, among other things, the Company's formulation of an acceptable plan of reorganization, the success of future business operations, the continued availability of funds under debtor-in-possession financing, and the generation of sufficient cash from operations and financing sources to meet the Company's obligations. The accompanying consolidated balance sheet does not reflect (a) the realizable value of assets on a liquidation basis or their availability to satisfy liabilities, (b) the effect of any changes to the Company's capital structure or in the Company's business operations as the result of an approved plan of reorganization, or (c) adjustments to the carrying value of asset or liability amounts that may be necessary as the result of actions by the Bankruptcy Court.

The preparation of the balance sheet in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Fiscal Year. BCI's fiscal year is the 52/53-week period ending on the last Sunday in December.

Cash and Cash Equivalents. BCI considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories. Inventories are stated at the lower of cost (first-in, first-out) or market and consist of food, paper and plastic products, and supplies.

Property and Equipment. Property and equipment is stated at cost, less accumulated depreciation and amortization, except for impaired property and equipment for which the carrying amount is reduced to estimated fair market value which becomes the new cost basis. Depreciation and amortization of property and equipment and buildings has been calculated using the straight-line method over the assets' estimated useful lives. Depreciation and amortization for leasehold improvements has been calculated over the lesser of the leaseholds' useful lives or their lease term, including option periods where exercise is probable.

Property and equipment additions include acquisitions of buildings and equipment, costs incurred in the development and construction of new restaurants, and major improvements to existing restaurants. Expenditures for maintenance and repairs are charged to expense as incurred. Pre-opening costs incurred by ENBC, are capitalized until the stores become operational and are then amortized over a one-year period. Beginning in 1999, direct costs incurred in connection with opening new restaurants will be expensed as incurred in accordance with AICPA Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" ("SOP 98-5"). The Company does not expect the adoption of SOP 98-5 to have a material impact on its results of operations in 1999.

Intangible Assets. The Company's intangible assets are amortized on a straight-line basis over lives ranging from 3 to 20 years and primarily represent goodwill, franchise rights, trademarks, and financing cost. ENBC's goodwill, trademarks, and recipes are amortized over 35, 30, and 10 years, respectively, through 1998. Effective with fiscal year 1999, ENBC has prospectively changed its goodwill and trademark lives from 35 and 30 years, respectively, to 20 years.

Long-Lived Assets. The Company and ENBC evaluate whether events and circumstances have occurred that would indicate if it would be appropriate to revise the remaining useful life or impairment of remaining balances of long-lived assets, including goodwill and other intangible assets. Such events and circumstances include, but are not limited to, a change in business strategy or a change in current and long-term projected operating performance. When factors indicate that the carrying amount of an asset may not be recoverable, the Company and ENBC

estimate the future cash flows expected to result from the use and eventual disposition of the asset. Generally, assets are assessed utilizing each restaurant's expected future cash flow. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset (including any asset-specific goodwill), an impairment loss equal to the excess of the carrying amount over the estimated fair value of the asset will be recognized. Estimated fair market value is generally determined based upon discounted estimated future cash flows. Considerable management judgement is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from estimates.

Liabilities Subject to Compromise. Under the Bankruptcy Code, certain pre-petition claims against the Company are stayed while the Company continues business operations as a debtor-in-possession. Post-petition claims may arise as a result of the Company rejecting executory contracts, including leases, and the Court allowing claims for contingencies or other disputed amounts. The Bankruptcy Court approved the Company's payment of pre-petition employee compensation and benefits, and the timely payment of substantially all pre-petition trade payables incurred in the ordinary course of business. See Note 8.

Deferred Revenue. Up-front cash payments received from certain suppliers are deferred and recognized over the term of the contracts based upon purchased volumes. If purchase volume shortfalls occur, the Company is required to make retroactive rate adjustments on purchases or may be required to provide a cash settlement for the shortfalls which are reflected as either accrued expenses and other current liabilities or as liabilities subject to compromise in the accompanying balance sheet.

Revenue Recognition. Revenue from Company restaurants and from ENBC stores is recognized in the period during which related food and beverage products are sold.

Royalties are recognized in the same period that related franchise restaurant revenue is generated. Revenue derived from initial franchise fees and area development fees is recognized when the franchised restaurants open. Interest, real estate services, and software maintenance fees are recognized as earned. Lease income is recognized over the life of the lease on a straight-line basis. Software license income is recognized as the software is placed in service. If an area developer generates insufficient cash on a cumulative basis from restaurant operations, capital contributions and other sources (excluding borrowings from the Company) to pay royalties, interest and franchise fees when due, the Company will not recognize such fees. The Company continues to charge the area developer royalties, franchise and related fees, and interest, but no longer recognizes these payments as revenue.

Issuances of Subsidiaries' Stock. Changes in the Company's proportionate interest in the net assets of its subsidiaries that result from issuances of the subsidiaries' stock are recognized in operations as gains or losses in the period during which such issuances occur.

Advertising Costs. Advertising costs are expensed in the period incurred.

The Company administers and consolidates a National Advertising Fund (the "Fund") and Local Advertising Funds ("LAFs") to which all restaurants contribute 2% of net revenue and a minimum of 4% of net revenue, respectively. Collected amounts are spent primarily on developing marketing and advertising materials for use systemwide by the Fund and for restaurants in particular markets by the LAFs.

Employee Stock Options. The Company and ENBC account for their employee stock options in accordance with the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees".

Fair Value of Financial Instruments. The carrying amounts of accounts receivable, notes receivable, accounts payable and accrued liabilities approximate fair value. The estimated fair value of the Company's senior collateralized debt obligations is \$141.8 million in 1998. The estimated fair value of the Company's subordinated debt obligations (including the convertible subordinated debt and liquid yield option notes) is \$29.1 million in 1998. The estimated fair value of ENBC's revolving credit facility and convertible subordinated debt are \$5.6 million and \$58.8 million, respectively, at December 27, 1998.

Acquisitions

Boston Market Area Developers

The Company acquired a majority ownership interest in 11 area developers in 1998, 2 area developers in 1997 and 1 area developer in 1996. The operating results of these area developers are included in the Company's results of operations from the date of each respective acquisition.

In March 1998, the Company converted its \$119.2 million of gross loans (\$1.8 million of net loans) to its area developer BC Great Lakes, L.L.C. into a majority ownership interest. On July 15, 1998, the Company converted a

total of \$564.2 million of convertible and non-convertible loans (\$9.5 million of net loans) to ten area developers into majority ownership interests. On the same date, the Company acquired the preferred equity interests held by BC Equity Funding, L.L.C. (“BCEF”) and Market Partners, L.L.C. (“Market Partners”) in the 10 area developers, as well as an additional area developer, and BCEF and Market Partners merged into a wholly-owned subsidiary of the Company.

The Company’s conversion of its 11 area developer loans added 640 Boston Market restaurants to the Company’s restaurant base. The following sets forth the amount of the gross loans converted (in thousands) and the percentage of common equity interests in each area developer acquired by the Company:

Area Developer	Loan Converted	Common Equity Interest Acquired
P&L Food Services, L.L.C.	\$52,277	86%
BC Boston, L.P.	51,585	91%
BCE West, L.P.	47,540	83%
BC GoldenGate, L.L.C.	57,759	96%
Finest Foodservice, L.L.C.	87,936	98%
BC Superior, L.L.C.	56,893	74%
BC Heartland, L.L.C.	7,370	97%
B.C.B.M. Southwest, L.P.	60,002	95%
BC Tri-States, L.L.C.	39,636	75%
R&A Food Services, L.P.	103,154	90%
BC Great Lakes, L.L.C.	119,209	85%

The 11 area developer acquisitions were accounted for as purchases, and, accordingly, the purchase prices were allocated to identifiable assets and liabilities based upon their estimated fair value at the date of acquisition. The Company assumed approximately \$51.5 million in liabilities owed to third parties in connection with the acquisitions. The purchase price allocation (including the BCEF and Market Partners preferred equity interests) resulted in goodwill of approximately \$71.8 million.

Preferred Equity Interests in Boston Market Area Developers

In exchange for the BCEF and Market Partners preferred equity interests in ten of the area developers referenced above and one additional area developer, the Company, in July 1998, paid to the members of BCEF an aggregate of \$4.5 million in cash and issued to the members of BCEF an aggregate of 1,553,991 shares of the Company’s common stock and 1,204,593 shares of the Company’s 10% Series A exchangeable preferred stock (“Preferred Stock”) with an aggregate liquidation preference of \$60.2 million, initially redeemable at 50% of the face amount increasing over time to 110% of the face amount. The Company paid to the members of Market Partners an aggregate of \$5.5 million in cash and issued to the members of Market Partners an aggregate of 1,946,000 shares of the Company’s common stock and 1,331,400 shares of Preferred Stock with an aggregate liquidation preference of \$66.6 million, initially redeemable at 50% of the face amount increasing over time to 110% of the face amount.

BCEF and Market Partners originally invested an aggregate of approximately \$131.7 million in 11 of the Company’s area developers. If the Company had not acquired the BCEF and Market Partners preferred equity

interests in ten of these area developers at the time the Company converted its loans into a majority equity interest, the ten area developers would have been required under the terms of the preferred equity instruments to redeem the preferred interests for cash, including accrued and unpaid dividends and redemption premiums, which totaled approximately \$169.7 million as of the transaction date. See Note 7 for a description of the terms of the preferred equity instruments.

The Company agreed to register the common stock and Preferred Stock issued to the members of BCEF and Market Partners by September 13, 1998 and to use reasonable best efforts to cause a registration statement to be declared effective by December 12, 1998. The Company did not register the shares by the required deadline and the terms of the registration rights agreement imposes an aggregate \$2.5 million penalty, currently due and payable by the Company, to certain holders of the common stock and Preferred Stock, subject to the terms of distributions to unsecured creditors, if any, as part of a plan of reorganization.

4. Area Developer and Other Financing

Area Developer Financing

The Company historically offered convertible and non-convertible collateralized debt financing to Boston Market area developers to partially finance restaurant development and working capital needs. Interest is set at the applicable reference rate of Bank of America National Trust and Savings Association as established from time to time (7.75% at December 27, 1998 and an average rate of 8.36% for 1998) plus 1%, and is payable each four-week period. The loan is collateralized by a pledge of substantially all of the assets of the area developer and generally by a pledge of the equity interests of the owners of the developer. In 1997, 12 of these area developers waived the loan conversion moratorium period provided under the loan agreements and, in 1998, the Company converted 11 of these area developer loans into majority equity interests in the area developers. Since inception, the Company has acquired a controlling interest in 14 of its 17 area developers. On October 5, 1998, the Company notified BC Northwest, L.P. and Boston West, L.L.C. that the Company would not provide them any additional funding under their loans from the Company. See Note 1. The Company continues to provide limited funding to one area developer, Platinum Rotisserie, L.L.C.

At the end of 1998, management reviewed the collectability of its total \$221.2 million area developer loans outstanding, use of the loan proceeds and the value of the collateral underlying the loans, and reserved for the entire amount by establishing an impairment allowance. Also, only three area developers comprised the outstanding loans, which individually accounted for approximately 42%, 32% and 26% of the notes receivable outstanding. The average loan balances for the remaining three area developers in 1998 was \$ 208.1 million.

Other Financing

Progressive Food Concepts, Inc. ("PFCI"), a wholly-owned subsidiary of BCI, has provided Harry's Farmers Market, Inc. ("Harry's") with two credit facilities (the "Loans"): (i) a \$12.0 million refinancing loan, all of which was outstanding at the end of 1998 (the "Refinancing Loan"), and the proceeds of which were used by Harry's to repay other indebtedness; and (ii) a \$5.5 million development loan, \$3.5 million of which was outstanding at the end of 1998 (the "Development Loan"). The Loans bear interest at 5% per annum until January 31, 2002, and thereafter at a per annum rate equal to the rate designated by Bank of America National Trust and Savings Association as its reference rate plus 1%. Interest only is payable quarterly on the Loans until January 31, 2002, after which date the Loans become an amortized term loan payable in 20 equal quarterly installments of principal and interest unless otherwise exchanged. On December 2, 1999, Harry's paid \$4 million to PFCI to extinguish the notes and all other obligations under the Loans.

5. Debt

BCI's debt as of December 27, 1998 is as follows (in thousands of dollars):

BCI Senior Revolving Credit Facility.....	\$ 53,823
Debtor-in-Possession Credit Facility	39,690
ENBC Senior Revolving Credit Facility.....	5,625

ENBC Senior Term Loan Facility	24,000
4½% Convertible Subordinated Debentures, due February 1, 2004, interest payable semi-annually, convertible at \$27.969 per share of Company common stock.....	129,520
7¾% Convertible Subordinated Debentures, due May 1, 2004, interest payable semi-annually, convertible at \$26.70 per share of Company common stock	287,500
Liquid Yield Option Notes (LYONs), due June 1, 2015, zero coupon, issued at \$208.29 per \$1,000 principal, 8% yield, convertible at 8.532 shares of Company common stock.....	209,704
7¼% ENBC Convertible Subordinated Debentures, due June 1, 2004, interest payable semi-annually, convertible at \$21.25 per share of ENBC common stock	125,000
Collateralized 1996 Master Lease Obligation	166,119
Collateralized 1995 Master Lease Obligation	55,454
Other Debt Obligations.....	12,222
	<hr/>
Total Debt Obligations	<u>\$1,108,657</u>

Company Revolving Facility

Senior Bank Credit Agreements

On July 15, 1998, the Company amended its senior revolving credit facility, which had \$48.0 million outstanding (as amended, the “Senior Credit Facility”), and amended its 1996 master lease facility (as amended, the “1996 Master Lease”). The Senior Credit Facility provided the Company an additional revolving credit facility of \$39.3 million, consisting of a \$4.3 million revolving loan and a \$35.0 million revolving liquidity facility. Proceeds of the \$4.3 million loan were used to satisfy required payments on the Company’s 1995 master lease facility (the “1995 Master Lease”). In connection with the Senior Credit Facility, the Company executed a written guarantee of a total of \$4.9 million principal amount of obligations, plus interest on, and expenses related to, these obligations, owed by certain employees and former employees of the Company to the Company’s senior lenders. Borrowings under the Senior Credit Facility bear interest at the agent’s base rate, plus an applicable margin (together, 9.25% at December 27, 1998). The weighted average interest rate on the revolving liquidity facility portion and the remaining balance of the Senior Credit Facility were 9.69% and 9.12%, respectively, for fiscal year 1998. The Senior Credit Facility also provides for a commitment fee of 0.5% per annum of the average daily unused portion of

the Senior Credit Facility. All borrowings outstanding under the Senior Credit Facility became due on October 17, 1998.

Under the terms of the 1996 Master Lease, the Company purchased all of the assets leased under the facility and agreed to pay the \$166.1 million outstanding balance ("1996 Master Lease Secured Debt") due under the facility on October 17, 1998. Obligations under the 1996 Master Lease Secured Debt bear interest at a rate equal to the prime lending rate plus an applicable margin (together, 9.25% at December 27, 1998). The weighted average interest rate on the 1996 Master Lease Secured Debt was 9.82% for fiscal year 1998.

On November 4, 1998, the Bankruptcy Court approved the payment of interest on amounts outstanding under the Senior Credit Facility, the 1996 Master Lease and the 1995 Master Lease. The Company utilized a portion of its debtor-in-possession financing facility to pay the liquidity facility portion of the outstanding balance due under the Senior Credit Facility. All principal payments under the Senior Credit Facility, the 1996 Master Lease and the 1995 Master Lease were suspended pending approval of a final plan of reorganization. The lenders under the 1996 Master Lease have agreed to defer interest payments on the 1996 Master Lease Secured Debt from March 1999 through April 2000. The lenders under the 1995 Master Lease agreed to defer interest payments on the 1995 Master Lease secured debt from March 1999 through September 1999, although the Company has not made any interest payments on the 1995 Master Lease secured debt since March 1999.

Debtor-in-Possession Financing

On October 29, 1998, the Bankruptcy Court approved the Company's debtor-in-possession financing agreement, providing for up to \$70.0 million (the "DIP Facility"). The Company utilized \$35.0 million of the DIP Facility to pay the liquidity facility portion of the outstanding balance due under the Company's Senior Credit Facility. The Company is required to remit proceeds of certain asset sales to the banks to repay this \$35.0 million advance. The Company is utilizing the additional \$35.0 million of revolving funds available under the DIP Facility to pay the Company's operating expenses, including employee salaries and benefits, payments to vendors and certain professionals approved by the Bankruptcy Court, and interest payments through February 1, 1999 on the Senior Credit Facility, the 1996 Master Lease and the 1995 Master Lease. Under the terms of the DIP Facility, the revolving funds are available to the Company until the earlier of April 4, 2000, the date on which the DIP Facility expires, or the Company's emergence from Chapter 11. Draws made under the DIP Facility bear interest at a rate equal to the prime lending rate plus an applicable margin (together, 9.25% at December 27, 1998). The weighted average interest rate on the DIP Facility was 9.4% for fiscal year 1998. The Company is required to pay an unused line fee of 0.375%, and a letter of credit fee of 2.0%. The DIP Facility is collateralized by substantially all of the assets of the Company and its subsidiaries. The DIP Facility contains restrictive covenants including, among other things, requiring the maintenance of minimum systemwide earnings before interest, taxes, depreciation, amortization and payments under the 1995 Master Lease, as defined (EBITDAL), limiting additional indebtedness, liens, contingent obligations and capital expenditures, limiting sales of assets by the Company and prohibiting dividend payments.

During 1999, the DIP Facility EBITDAL covenant has been waived by the lenders. The current waiver extends until February 18, 2000. Absent additional waivers, management does not believe that the EBITDAL covenant will be met. The lenders have been unwilling to revise the EBITDAL covenant. In addition, the lenders have established an availability reserve (as defined) that limits the amount available under the revolver DIP Facility. Subject to lender approval, the availability reserve can be adjusted to allow access to the entire \$35.0 million revolver DIP Facility. The current availability reserve allows the Company liquidity through February 18, 2000.

There can be no assurance that the Company will be able to comply with the covenants related to the DIP Facility or that there will be borrowing availability under the DIP Facility at all times when necessary. If the Company is unable to comply with the DIP Facility covenants, upon action of the requisite number of DIP Facility lenders, all outstanding principal and interest under the DIP Facility could be accelerated and become immediately due and payable.

ENBC Revolving Facility and Term Loan

ENBC has a collateralized credit facility, consisting of a term loan facility (originally in the amount of \$30.0 million) and a \$25.0 million revolving bank credit facility, providing for borrowings through October 2000. Borrowings under the credit facility may be either floating rate loans with interest at the lenders' reference rate (the "Reference Rate") plus applicable margin, or eurodollar rate loans with interest at the eurodollar rate plus applicable margin. In addition, a commitment fee of .50% of the average daily unused portion of the loan is required. The

credit facility contains covenants that, among other things, restrict other borrowings, prohibit cash dividends and require maintaining certain minimum average weekly net sales levels and to comply with ratios of system cash flow to senior indebtedness and pro forma fixed charges. The credit facility is collateralized by substantially all of ENBC's assets. At the end of 1998, \$24.0 million was outstanding under the term loan facility, bearing an interest rate of 7.75%. The weighted average interest rate on the credit facility was 8.36% for fiscal year 1998. The term loan facility requires principal payments of \$1.5 million on March 1, June 1, September 1 and December 1 of each year, continuing through October 2000, at which time the outstanding balance is due. At the end of 1998, ENBC had \$25.0 million available under its revolving credit facility, of which \$5.6 million was outstanding.

Subordinated Debt

The convertible subordinated debentures contain provisions which allow the Company and ENBC to redeem the debentures at the following percentage of the original principal amounts: the Company's 4½% debentures are redeemable initially at 103.15% and at declining prices thereafter; the Company's 7¾% debentures are redeemable commencing May 1, 2000, initially at 104.43% and at declining prices thereafter; the Company's Liquid Yield Option Notes ("LYONs") are redeemable beginning June 1, 2000 at the original issue price plus original issue discount through the redemption date; and ENBC's 7¼% debentures are redeemable commencing June 1, 2000, initially at 104.14% and at declining prices thereafter. The Company is obligated to purchase the LYONs at the option of the holder as of June 1, 2000, June 1, 2005, and June 1, 2010, for a purchase price per LYON of \$308.32, \$456.39, and \$675.57, respectively. Subsequent to year end 1998, a face amount of \$130,901,000 LYONs were converted into 1,116,852 shares of common stock. In addition, the Company and ENBC are required, as of 40 business days after the occurrence of a Change in Control (as defined in the respective indentures) to purchase all or any part of their respective debentures at the option of the debenture holder.

While in Chapter 11, the Company has not, and does not expect to, pay the principal or interest obligations of its subordinated debt. The Company anticipates that the holders of its convertible subordinated debt will not retain any value under a plan of reorganization. The Company's debt securities will be canceled upon plan confirmation.

In November 1999, ENBC announced it had engaged Donaldson, Lufkin & Jenrette as its financial adviser to assist ENBC in analyzing and evaluating possible transactions to restructure its balance sheet.

1995 Master Lease

The 1995 Master Lease Facility covers various store equipment and is reflected as a capital lease in the accompanying financial statements. Initial balloon payments under the facility were due on October 17, 1998. Obligations under the 1995 Master Lease Facility bear interest at a rate equal to LIBOR plus an applicable margin (together, 8.82% at December 27, 1998). The weighted average interest rate on the 1995 Master Lease Collateralized Facility was 9.32% for fiscal year 1998. All principal payments have been suspended during the pendency of the Company's Chapter 11 proceedings.

6. Income Taxes

At the end of 1998, the Company had remaining operating loss carryforwards available to reduce future taxable income of approximately \$124.0 million that begin to expire in 2013. At the end of 1998, ENBC had remaining operating loss carryforwards available to reduce future taxable income of approximately \$63.9 million that begin to expire in 2010. ENBC files a separate tax return from the Company. BCI and ENBC had net deferred tax assets of approximately \$425.0 million and \$88.0 million, respectively, at the end of 1998, which amounts were fully offset by valuation allowances due to uncertainty regarding realization of the related tax benefits. The net deferred tax assets are comprised primarily of investments in partnerships, net operating loss carryforwards and basis differences in notes receivable and property and equipment, offset by the basis difference in the Company's investment in ENBC.

7. Stockholders' Equity

Preferred Stock

In connection with the acquisition of the preferred equity interests in 11 area developers as discussed in Note 3, the Company issued 2,535,993 shares of 10% Series A Exchangeable Preferred Stock. Commencing in December 1998, the annual dividend rate on the Preferred Stock increased to 11% and will further increase by 0.5% for each 90-day period thereafter, up to a maximum rate of 12%. At the option of the Company, the quarterly dividends may be paid in cash or additional shares of Preferred Stock for the first twelve dividend payments. Commencing with the

thirteenth dividend payment, the annual dividend rate will permanently increase by 25 basis points per quarter for each dividend period in which dividends are not paid. Prior to filing for reorganization under Chapter 11, the Company had recorded \$2.8 million of accrued Preferred Stock dividends. As a result of its Chapter 11 filing, the Company will not pay any Preferred Stock dividends and, consequently, is not accruing any post-bankruptcy petition dividends. The Company considers these obligations to be liabilities subject to compromise and, as a result, will resolve these issues as part of a final plan of reorganization approved by the Bankruptcy Court. The Company has publicly disclosed that the holders of its Preferred Stock will retain no value under a plan of reorganization. The Company's Preferred Stock will be canceled upon plan confirmation.

The holders of the Preferred Stock do not have any voting rights, except as provided by Delaware law. In the event of dissolution, liquidation or winding up of the Company, the Preferred Stock ranks senior to the common stock. The Company is required to redeem the Preferred Stock on July 15, 2005 at a redemption price equal to 110% of its liquidation preference, plus any unpaid dividends. The Company has the option to redeem the Preferred Stock at any time at prices ranging from 50% to 110% of the original liquidation preference, plus unpaid dividends.

Stock Option Plans

The Company has stock option plans (the "Plans") under which options to purchase up to 17,240,000 shares of common stock may be granted. Under the terms of the Plans, the Company may grant options to certain employees and officers and directors of, and consultants to, the Company. The option price is equal to the fair market value on the date of the grant and each option has a term of ten years. The options vesting period is determined at the time of the stock option grant by the Stock Option Committee of the board of directors. Except with respect to the stock option exchange program described below, options granted to date generally vest at either 10% at the end of the first year, an additional 20% at the end of the second year, an additional 30% at the end of the third year and the balance vesting at the end of the fourth year from the date of the grant or vest ratably over a four-year period. The Company's 1997 stock option plan provides for 100% vesting of all outstanding options upon the occurrence of a Change in Control (as defined in the option plan). At the end of 1998, approximately 7.0 million options were outstanding under the 1997 stock option plan.

In October 1997, the Stock Option Committee of the board of directors authorized a stock option exchange program to provide employees the opportunity to exchange existing options for new options priced at fair market value on the date of exchange. Approximately 3.4 million vested and unvested outstanding options with original exercise prices ranging from \$11.19 to \$37.88 per share were canceled in exchange for the grant of the same number of new options with an exercise price of \$8.94 per share. The vesting schedule of the new options was determined based on the grant date of the canceled options. New options issued upon cancellation of options originally granted from January 1, 1994 through November 14, 1994 vest 100% on November 10, 1998. New options issued upon cancellation of options originally granted from November 15, 1994 through December 18, 1995 vest 50% on each of November 10, 1998 and November 10, 1999. New options issued upon cancellation of options originally granted after December 18, 1995, vest 33% on each of November 10, 1998, November 10, 1999 and November 10, 2000.

The Company also maintains a stock option plan for non-employee directors (the "Directors Plan") under which options to purchase up to 360,000 shares of common stock may be granted. Under the terms of the Directors Plan, the Company automatically grants to each director who is not an officer or employee of the Company, options to purchase shares having a fair market value of \$200,000 at the date of grant, each time they are elected or reelected as a director of the Company. The option price is equal to the fair market value of the stock on the date of grant and each option generally has a term of ten years. The options are exercisable at the end of one year of service from the date of grant.

In January 1998, the Company implemented a restricted stock plan (the "Restricted Plan") under which 1,000,000 units of common stock may be granted. Under the terms of the Restricted Plan, the Company may grant awards to employees, consultants or advisors of the Company and any subsidiary or person approved by the Restricted Plan Committee (comprised of at least two members of the Company's Board of Directors), excluding officers and directors of the Company. The value of each unit awarded is equal to the fair market value of the stock on the vesting date. Units vest and are awarded to participants in equal increments annually on each of the first, second and third anniversaries of the award date. In January 1999, the Company issued an aggregate of 32,931 shares of common stock under the Restricted Plan.

The Company has publicly disclosed that the holders of its common stock (and holders of options to purchase its common stock) will retain no value under a plan of reorganization. The Company's common stock will be canceled upon plan confirmation.

ENBC has employee stock option plans under which options to purchase up to 11,813,146 shares of common stock of ENBC may be granted. ENBC also has a stock option plan for non-employee directors under which options to purchase up to 100,000 shares of common stock of ENBC may be granted. The terms of these plans are generally similar to the Company's plans, however, option grants to each director who is not an officer or employee of the Company are limited to a market value of \$50,000 at the date of grant.

In May 1998, ENBC's Stock Option Committee of the board of directors authorized a stock option exchange program to provide employees the opportunity to exchange existing options for new options priced at fair market value on the date of exchange. Approximately 2.4 million vested and unvested outstanding options with original exercise prices ranging from \$4.56 to \$33.13 per share were canceled in exchange for the grant of the same number of new options with an exercise price of \$3.65 per share. New options issued upon cancellation of options originally granted in 1995 vest 50% on each of November 11, 1999 and May 11, 2000. New options issued upon cancellation of options originally granted after 1995 vest 33-1/3% on each of November 11, 1999, May 11, 2000, and May 11, 2001.

Information on Company options outstanding and options exercisable as of December 27, 1998, is as follows:

Range of Exercise Prices	<u>Company Options Outstanding</u>			<u>Company Options Exercisable</u>	
	Weighted Average			Weighted Average	
	Remaining Contractual	Weighted Average		Exercise Price	
	No. of Options	Life (Years)	Exercise Price	No. of Options	per Share
\$ 1.00 - \$ 3.00	1,102,588	5.70	\$ 1.54	656,388	\$ 1.57
3.01 - 6.00	1,870,478	7.06	4.02	851,728	4.07
6.01 - 9.00	5,692,297	9.01	7.50	1,831,959	7.93
12.01 - 15.00	160,188	5.93	14.88	160,188	14.88
15.01 - 18.00	163,759	5.58	17.17	132,764	17.40
18.01 - 21.00	19,479	5.81	19.74	16,218	19.51
21.01 - 24.00	96,987	8.19	22.76	57,239	22.72
24.01 - 27.00	41,345	7.23	25.07	16,711	24.92
30.01 - 33.00	86,598	7.38	30.97	37,569	31.00
33.01 - 36.00	<u>30,477</u>	<u>7.42</u>	<u>35.88</u>	<u>28,653</u>	<u>35.88</u>
	<u>9,264,196</u>	<u>8.06</u>	<u>\$ 6.96</u>	<u>3,789,417</u>	<u>\$7.37</u>

Information on ENBC options outstanding and exercisable as of December 27, 1998, is as follows:

Range of Exercise Prices	<u>ENBC Options Outstanding</u>			<u>ENBC Options Exercisable</u>	
	Weighted Average			Weighted Average	
	Remaining Contractual	Weighted Average		Exercise Price	
	No. of Options	Life (Years)	Exercise Price	No. of Options	per Share
\$ 0.01 - \$ 3.00	75,000	9.93	\$ 2.00	----	\$ ----
3.01 - 6.00	3,952,369	7.16	4.25	657,129	5.65
6.01 - 9.00	691,015	3.05	6.58	276,498	6.58

9.01 - 12.00	170,453	3.43	10.83	98,377	10.89
18.01 - 21.00	2,684	8.38	18.63	2,684	18.63
27.01 - 30.00	<u>8,439</u>	<u>7.96</u>	<u>29.63</u>	<u>2,531</u>	<u>29.63</u>
	<u>4,899,960</u>	<u>6.49</u>	<u>\$ 4.82</u>	<u>1,037,219</u>	<u>\$ 6.49</u>

At the end of 1998, the Company had 35,716,053 shares of common stock reserved for issuance upon exercise of stock and conversion of convertible subordinated debentures and LYONs. See Note 5 for a discussion of the conversion of certain of the LYONs into common shares subsequent to the end of 1998.

8. Supplemental Consolidated Financial Statement Data

Accounts Receivable, net

Accounts receivable are net of an allowance for doubtful accounts of \$807,000 in 1998. The allowances are primarily associated with loans to former employees.

Property and Equipment, net

Property and Equipment consist of

(in thousands of dollars):

Land	\$ 82,298
Buildings and improvements	347,527
Furniture, fixtures, equipment and computer software	<u>145,182</u>
	575,007
Less: Accumulated depreciation and amortization.....	<u>(63,943)</u>
Total property and equipment, net	<u>\$ 511,064</u>

Intangible Assets, net

Intangible Assets consist of

(in thousands of dollars):

Goodwill (1)	\$ 507,934
Copyrights and Trademarks.....	3,547
Recipes	3,046
Deferred Financing Costs	<u>26,171</u>
	540,698
Less: Accumulated depreciation and amortization.....	<u>(49,789)</u>
Total intangible assets, net.....	<u>\$ 490,909</u>

(1) Goodwill is composed of:

ENBC	\$ 268,039
------------	------------

Excess cost of BCI area developers.....	239,895
Less accumulated depreciation	<u>(41,790)</u>
Total goodwill, net	<u>\$ 466,144</u>
<i>Accrued Expenses and Other Current Liabilities</i>	
Accrued Expenses and Other Current Liabilities consist of	
(in thousands of dollars):	
Accrued payroll and fringe benefits	\$ 17,358
Accrued interest	4,619
Accrued taxes (excluding income taxes).....	13,580
Accrued vendor obligations	5,225
Accrued restaurant and real estate disposition costs	3,726
Accrued utilities	4,405
Accrued other.....	<u>14,454</u>
Total accrued expenses and other current liabilities.....	<u>\$ 63,367</u>

Liabilities Subject to Compromise

The principal categories of obligations classified as liabilities subject to compromise under reorganization proceedings are identified below. All amounts below are subject to adjustment by action of the Bankruptcy Court as the result of further developments with respect to disputed claims, determinations as to the value of any collateral underlying claims, or other events. Additional claims may arise as the result of the Company rejecting additional executory contracts or unexpired leases.

Liabilities Subject to Compromise consist of

(in thousands of dollars):

Accrued expenses (other than interest).....	\$ 57,455
Accrued interest	10,620
Notes payable.....	10,723
Liquid Yield Option Notes.....	209,704
Convertible Subordinated Debt.....	<u>417,020</u>
Total liabilities subject to compromise	<u>\$ 705,522</u>

As a result of the Company's Chapter 11 filing, no principal or interest payments will be made on any pre-petition debt without Bankruptcy Court approval or in accordance with an approved reorganization plan.

Interest Expense

Pursuant to SOP 90-7, interest expense is reported only to the extent that it will be paid during the Company's Chapter 11 proceeding or to the extent it is probable that it will be an allowed claim. In 1998, the Company did not record \$10.6 million in interest expense not paid on pre-petition debt obligations.

9. Related-Party Transactions

At the end of 1998, the Company had notes payable, each in the principal amount of approximately \$1.6 million, due to Saad J. Nadhir and Scott A. Beck, both former officers and directors of the Company. The notes bear an interest rate of 9.5% which is payable quarterly. All principal and interest payments have been suspended due to the Company's Chapter 11 filing and the balances have been designated subject to compromise in the accompanying balance sheet.

At the end of 1998, ENBC had notes receivable from a stockholder of \$3.4 million, which has been entirely offset by an allowance for doubtful accounts. The notes receivable bear interest at the applicable reference rate of Bank of America National Trust and Savings Association plus 1%. Principal and interest are due April 2001. The notes are collateralized by various assets.

Certain officers and directors of ENBC are investors in Bagel Store Development Funding, L.L.C. ("Bagel Funding"), having invested \$1.7 million at the end of 1998. ENBC is the manager of Bagel Funding but has no equity interest in Bagel Funding.

10. Commitments and Contingencies

Commitments

Bagel Funding has invested a total of approximately \$89.6 million, representing an approximately 22% equity interest, in Einstein/Noah Bagel Partners, L.P. ("Bagel Partners"), a majority owned subsidiary of ENBC. ENBC is the manager of Bagel Funding. Bagel Funding has the right to require Bagel Partners or ENBC to redeem Bagel Funding's equity interest in Bagel Partners at a pre-determined formula price based on store level cash flow of Bagel Partners in the event that, at any time after December 5, 1999 and prior to June 5, 2001, ENBC does not consent to a public offering of such equity interests or the termination of certain rights and obligations under franchise and license agreements between ENBC and Bagel Partners. Such right becomes exercisable prior to December 5, 1999 if there is a Change in Control (as defined in the Bagel Partners partnership agreement) of ENBC. ENBC or Bagel Partners may pay the purchase price for such equity interests in cash, shares of ENBC common stock or any combination thereof. In November 1999, ENBC announced it had engaged Donaldson, Lufkin, & Jenrette as its financial advisor to assist ENBC in analyzing and evaluating possible transactions to restructure its balance sheet.

The Company and ENBC lease sites for restaurants and for their support centers in Golden, Colorado. Lease terms generally range from five to ten years, with two or three five-year renewal options. Most of the leases contain escalation clauses and common area maintenance charges.

The following is a schedule of future minimum rental payments that are required under operating leases that have initial or remaining noncancellable lease terms in excess of one year, sublease proceeds, and guarantees and assignments at the end of 1998 (in thousands of dollars):

	<u>Minimum Rent Payments</u>	<u>Sublease Proceeds</u>	<u>Net Minimum Rent Payments</u>	<u>Guaranties and Assignments</u>
1999	\$ 76,222	\$ 5,093	\$ 71,129	\$ 2,662
2000	73,508	4,739	68,769	2,485
2001	68,681	4,539	64,142	2,245
2002	63,457	3,777	59,680	2,178
2003	57,690	3,624	54,066	2,120

Thereafter.....	<u>221,886</u>	<u>11,269</u>	<u>210,617</u>	<u>13,565</u>
	<u>\$ 561,444</u>	<u>\$ 33,041</u>	<u>\$ 528,403</u>	<u>\$ 25,255</u>

The Company and ENBC have entered into agreements with certain vendors providing for minimum purchases over specified terms. The agreements call for retroactive rate adjustments or may require cash settlement in the event of purchase shortfalls. Management believes that the ultimate settlement of these commitments will not have a material impact on the Company's consolidated financial position or results of operations.

In June 1999, the Company entered into a ten year agreement with H.J. Heinz Company ("Heinz"), which grants Heinz exclusive, non-assignable rights and a license to use the Boston Market brand, domestically and internationally, in connection with manufacturing, processing, packaging and distributing packaged frozen, refrigerated and/or ambient food products approved by the Company. Heinz will pay all marketing expenses related to the products subject to the agreement. The Company will receive royalties based upon the volume of products sold, subject to a minimum royalty amount each contract year. If the Company sells non-chicken products in certain in-store locations (as defined) such as grocery and convenience stores, mass merchandising channels and non-commercial trade channels, the Company will be required to pay Heinz a percentage of net sales from such outlets or channels.

Contingencies

The Company, individual defendants Scott A. Beck, Saad J. Nadhir and Mark W. Stephens, each a former officer and director of the Company, underwriters of the Company's securities and the Company's former independent public accountants are defendants in class action lawsuits filed in the United States District Court for the District of Colorado and in state court in Jefferson County, Colorado. The complaints allege, among other things, violations of Sections 11, 12(2) and 15 of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of, and Rule 10b-5 promulgated under, the Securities Exchange Act of 1934 (the "Exchange Act") and similar provisions of Colorado state statutes. The claims against the Company are subject to the automatic stay in effect in the Company's Chapter 11 proceedings and, because they are unsecured claims, the Company anticipates they will be discharged upon the Company's emergence from Chapter 11. The underwriters and the Company's former independent public accountants have each entered into separate memorandums of understanding ("MOUs") setting forth an agreement in principle with respect to the respective claims pending against them in the class action lawsuits. In addition, the individual defendants have entered into a separate MOU as to the claims pending against them.

The individual defendants' MOU provides for a bar of all claims against the individual defendants that are or could be asserted, now or in the future, by any other defendant, including the Company, related to the subject matter of the securities litigation, and a bar of any future claims that may be brought by the plaintiffs in the class action lawsuit, the class covered by the lawsuit or the other defendants in the lawsuit, including the Company, relating to the "Company or activities in connection with the purchase or sale of debt or equity securities issued by the Company or the conduct of the individual defendants as it relates thereto". The Company has indicated to the individual defendants that the Company would not agree to such a bar of future claims.

To the Company's knowledge, none of the underwriters, the Company's former independent public accountants or the individual defendants have entered into definitive settlement agreements with respect to the class action lawsuits.

ENBC and certain of its former officers and directors have settled a class action lawsuit brought against them in the United States District Court for the District of Colorado and in state court in Jefferson County, Colorado. The complaints alleged, among other things, that the defendants violated Sections 11, 12(2) and 15 of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, as well as similar provisions of Colorado state statutes. The settlement of the litigation was funded with proceeds of director and officer liability insurance policies. Final court approval of the settlement was obtained in June 1999. The settlement did not include claims pending in the lawsuit against the underwriters in ENBC's public offerings of common stock in August 1996 and November 1996 and against ENBC's independent public accountants.

ENBC has also entered into an agreement to pay \$0.6 million and to reimburse a portion of certain expenses of the underwriters in the ENBC public offerings as part of the settlement of the related litigation against the underwriters. The settlement is subject to customary conditions, including final court approval.

The Company and ENBC have become subject to other various lawsuits, claims, and other legal matters in the course of conducting its business, including its business as a franchisor. The Company and ENBC believe that the outcome of such other lawsuits, claims, and other legal matters will not have a material impact on the Company's consolidated financial position or results of operations.

The Company is currently not in compliance with the continuous disclosure rules of the Securities and Exchange Commission ("SEC") as defined by the Exchange Act. In addition, the Company's common stock currently trades in the National Quotation Bureau ("NQB") "Pink Sheets" and the Company's convertible subordinated debt securities currently trade in the NQB "Yellow Sheets". The Company has publicly disclosed that holders of the Company's capital stock will retain no value under a plan of reorganization, and the Company anticipates that holders of its convertible subordinated debt securities also will not retain any value under a plan of reorganization. The Company's equity and debt securities will be canceled upon plan confirmation.

11. Segment Information

The Company operates exclusively in the food service industry within the continental United States. The Company operates in two reportable segments that are based on differences in products offered. The Company's Boston Market restaurants operate in the casual dining segment and ENBC's stores operate in the retail bagel segment. The Company evaluates the performance of its segments based on income or loss before taxes and minority interest. Assets of the casual dining segment were \$651.1 million at the end of 1998, including \$1.2 million of inter-segment receivables. The retail bagel segment had \$408.7 million of total assets at the end of 1998.

12. Subsequent Events (Unaudited)

On December 1, 1999, McDonald's Corporation ("McDonald's") and the Company announced that a definitive asset purchase agreement had been signed by Golden Restaurant Operations, Inc., a wholly owned subsidiary of McDonald's ("GRO"), the Company and its Boston Market-related subsidiaries for the sale to GRO of the majority of the assets of Boston Market, including 751 restaurants, franchise rights for an additional 108 restaurants and certain related liabilities.

The senior secured creditors of the Company, subject to government and bankruptcy court approvals, have accepted GRO's bid of \$173.5 million, which will be comprised of cash and the assumption of certain liabilities. The sale will be completed as part of the plan of reorganization of the Company and its Boston Market-related subsidiaries. The Company's ownership interest in ENBC is not subject to the purchase agreement.

The Company expects to file its plan of reorganization in December 1999, and the asset purchase agreement with GRO is expected to close in mid-year 2000, although no dates have been established by the Bankruptcy Court. BCI's equity and debt securities will be canceled upon plan confirmation. Because the asset purchase agreement is subject to Bankruptcy Court approval, no adjustments have been made to the accompanying balance sheet to reflect the terms of the agreement.

ENBC, in light of amortization requirements, availability limitations under its secured revolving credit facility, and operational needs, cannot be assured that funds provided from operations and made available pursuant to its credit facility will be sufficient to meet ENBC's capital needs subsequent to the first quarter of 2000. In the event that ENBC requires additional capital to satisfy various capital needs, there can be no assurance that ENBC will be able to attain such capital on satisfactory terms, if at all, and ENBC could be forced to postpone capital expenditures or be unable to satisfy its obligations when due. In addition, if ENBC is unable to comply with any of the financial covenants under its credit facility, ENBC would not be able to draw on the revolving line of credit provided under the credit facility and, upon action of its lenders, all outstanding principal and interest under the credit facility could be accelerated and become immediately due and payable. ENBC does not currently have the capital to satisfy the outstanding balances.

ENBC's capital requirements could be significantly affected in the event Bagel Funding were to exercise its conditional right to require the redemption of its approximately 22% equity interest in Bagel Partners. In the event one or both of the conditions to the exercise of such right were satisfied and Bagel Funding exercised such right, ENBC or Bagel Partners could pay the redemption price for such equity interest by delivery of cash, common stock of ENBC or a combination of both. ENBC does not currently have sufficient capital to satisfy the redemption price in cash. While ENBC could seek to satisfy the redemption price by delivering shares of its common stock, delivery of the number of shares required to satisfy the redemption right, based on the current trading price of ENBC's common stock, would result in a Change in Control (as defined by the indenture governing ENBC's \$125.0 million

7¼% Convertible Subordinated Debentures due June 1, 2004), pursuant to which ENBC would be required, as of 40 business days after the occurrence of the Change in Control, to purchase for cash all or any part of its outstanding debentures, at a price equal to the principal amount thereof plus accrued but unpaid interest, at the option of the debenture holder. ENBC does not have sufficient capital resources to purchase for cash any material amount of the debentures.

In November 1999, ENBC announced it had engaged Donaldson, Lufkin, & Jenrette as its financial advisor to assist in analyzing and evaluating possible transactions to restructure ENBC's balance sheet. It is highly likely that, as a result of any ENBC restructuring, the Company, as a significant stockholder of ENBC, will suffer substantial dilution of its holdings, potentially resulting in loss of control as a majority owner and de-consolidation of ENBC for reporting purposes. In the event that ENBC does not succeed in its restructuring efforts, ENBC's management believes that ENBC could be forced to postpone capital expenditures or be unable to satisfy its obligations when due.

EXHIBIT C – BCI and its Subsidiaries

EXHIBIT C

to

Disclosure Statement

Boston Chicken, Inc. Subsidiaries

The following subsidiaries of Boston Chicken, Inc. are Debtors in the Chapter 11 Cases:

Limited Liability Companies (of which Boston Chicken, Inc. is the sole managing member):

BC GoldenGate, L.L.C.

BC Great Lakes, L.L.C.

BC Heartland, L.L.C.

BC New York, L.L.C.

BC Superior, L.L.C.

BC Tri-States, L.L.C.

BCI Acquisition Sub, L.L.C.

Finest Foodservice, L.L.C.

P&L Food Services, L.L.C.

Limited Partnerships (BCI Subsidiaries are the general partners):

Mayfair Partners, L.P.

R&A Food Services, L.P.

BC Boston, L.P.

BCE West, L.P.

B.C.B.M. Southwest, L.P.

Corporations:

BC Real Estate Investments, Inc.

BCI Massachusetts, Inc.

BCI Mayfair, Inc.

BCI R&A, Inc.

BCI Southwest, Inc.

BCI West, Inc.

Buffalo P&L Food Services, Inc.

Mid-Atlantic Restaurant Systems, Inc.

Progressive Food Concepts, Inc.

The following subsidiaries are not Debtors in the Chapter 11 Cases:

Einstein/Noah Bagel Corp.

Southwest Beverage Corp.

EXHIBIT D – LIQUIDATION ANALYSIS

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EXHIBIT D

BOSTON CHICKEN, INC.

Liquidation Analysis

December 31, 1999

Boston Chicken, Inc. has prepared this liquidation analysis (the "Liquidation Analysis") in connection with the Disclosure Statement. The Liquidation Analysis indicates the values which may be obtained by classes of Claims upon disposition of assets, pursuant to a Chapter 7 liquidation, as an alternative to continued operation of the business under the Plan. Accordingly, collateral values discussed herein may be different than amounts referred to in the Plan. The Liquidation Analysis is based upon the assumptions discussed below. **Because of numerous risks, uncertainties, and contingencies beyond the control of the Debtors and their management, including the wide geographic dispersion of operating locations and the inherent obstacles to retaining necessary employees to assist in the execution of such a liquidation, there can be no assurances whatsoever that the following recoveries could be realized.**

STATEMENT OF ASSETS

(\$ in thousands)

	Book Value (Note A) (Unaudited)	Hypothetical Percentage Recovery	Estimated Liquidation Value	Note Reference
	[1]	[2]	[1] * [2] = [3]	
CORPORATE ASSETS				
Cash	\$2,524	82%	\$2,063	B
Accounts Receivable	1,362	14%	191	C
EBNC Investment, at Market Value	10,523	30%	3,157	D
Other Assets	3,235	24%	777	E
Goodwill and Other Intangibles			<u>2,500</u>	F
Total Corporate Assets	<u>17,644</u>		<u>8,688</u>	G
RESTAURANT OPERATIONS				
Inventory	12,443	7%	851	H
Property, Plant and Equipment	<u>353,916</u>	29%	<u>103,832</u>	I
Total Restaurant Operations	<u>366,359</u>		<u>104,683</u>	
Assets and Other Items Available for Distribution	<u>\$384,003</u>		<u>113,371</u>	
Cost Associated with Liquidation:				
Corporate payroll/Overhead Costs during Liquidation			(5,798)	J
Chapter 7 Trustee Fees			(3,401)	K
Chapter 7 Professional Fees			<u>(2,000)</u>	L
Costs Associated with Liquidation			<u>(11,199)</u>	
Net Proceeds Before Administrative Claims			<u>102,172</u>	
Administrative Claims			(30,933)	M
Net Estimated Liquidation Proceeds Available for Distribution			<u>71,239</u>	
Impact of Time of Value of Money on Distribution Proceeds			(8,164)	N
<u>Present Value of Proceeds Available for Distribution</u>			<u>63,075</u>	

	Estimated Allowable Claim	Estimated Recovery Value \$	Estimated Recovery %	Note Reference
<u>Secured Creditor Claims</u>				
DIP Facility	28,232	28,232	100%	O
Secured Mortgage Debt	1,996	1,996	100%	P
Purchase Money Debt	3,907	0	0%	P
Equipment Financing Debt	1,478	59	4%	P
Revolving Line of Credit	57,113	8,272	14%	O
1996 Master Lease Facility	166,119	24,059	14%	O
1995 Master Lease Facility	54,756	457	1%	Q
Total Secured Claims	<u>313,601</u>	<u>63,075</u>	<u>20%</u>	
Total Net Estimated Liquidation Proceeds				
Available to Unsecured Creditors	<u></u>	<u></u>	<u>0%</u>	R

The Accompanying notes are an integral part of this Liquidation Analysis

BOSTON CHICKEN, INC.

Notes to Liquidation Analysis

The Liquidation Analysis reflects the Debtors' estimate of the proceeds that could be realized if the Debtors were to be liquidated in accordance with Chapter 7 of the Bankruptcy Code. Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by management and Lazard Frères & Co., the Company's financial advisors, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies beyond the control of Debtors and their management. In addition, the Liquidation Analysis is based upon certain assumptions with respect to liquidation decisions which could be subject to change. **ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO ATTEMPT TO LIQUIDATE UNDER CHAPTER 7, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.**

The Liquidation Analysis assumes a two-phase approach to the liquidation occurring over an eighteen month period.

Phase I would occur over a one month period during which contracts, leases, inventory, property and equipment, and employees at all operating units would be liquidated and/or terminated as appropriate. Debtors expect that unit level operations substantially cease immediately upon conversion to a Chapter 7 liquidation plan. The principal risks to maximizing results from a liquidation are the wide dispersion of the Debtors' operations and the substantial mobility of its workforce. Retaining members of the workforce, especially certain field and store management, would be critical to maximizing proceeds to the estate under a Chapter 7 liquidation. This analysis provides for retention incentive payments to such employees to improve the likelihood of achieving an orderly liquidation. There can be no assurance Debtors would be able to retain such employees.

Phase II would occur over a seventeen month period following cessation of operations, principally to allow for the orderly sale of real estate assets. The Debtors' remaining unsold assets, including receivables, property and equipment, and miscellaneous assets would be collected and/or liquidated. Debtors would retain certain corporate personnel, including employees in Accounting, Real Estate, Legal and Management Information Systems and would provide them incentives to support completion of the liquidation process. There can be no assurances that such employees could be retained.

For purposes of this analysis, the Debtors' assets have been divided between Corporate Assets and Restaurant Operations. The assets of the corporate parent consist of cash, accounts receivable, an investment in ENBC, intangibles and other assets. The assets related to the operation of the restaurants consist of real estate, buildings and equipment, and inventory.

The following notes describe the significant assumptions reflected in the Liquidation Analysis.

Note A – Basis for Values

The values used in this Liquidation Analysis include the unaudited book values for the period ending October 3, 1999, as well as other estimates where appropriate. Borrowings under Debtors' Debtor-in-Possession credit facility ("DIP Facility") at the liquidation date reflect estimates based on the Debtors' latest short-term cash flow forecast.

Note B - Cash

Under a Chapter 7 liquidation, operations would cease immediately and, therefore, no cash would be available for distribution, except net proceeds from the disposition of non-cash assets. Debtors estimate that cash at the store level of approximately \$2.5 million, which represents cash in the store registers and one day's sales, would be 82% collectible. The 82% reflects an estimated 90% collection of store cash for properties marketed for sale and 75% for the remaining closed locations. The recovery assumption is contingent upon retaining key field employees. Any cash in the cash management system (i.e. deposits in banks prior to commencement of a liquidation plan) is assumed to be netted against Debtors' estimated borrowings under the DIP Facility.

Note C - Accounts Receivable

The outstanding Accounts Receivable balance consists of Franchise Royalties, Franchise Advertising, amounts due from Boston West and ENBC, and Other Accounts Receivables (see Table I). Franchise Royalties and Franchise Advertising constitute amounts owed from franchisees pursuant to Franchise Agreements. The recovery percentages are estimated at 50% based on the assumption that in a liquidation scenario, franchisees would substantially stop paying royalty and advertising fees to the Company. The Boston West receivable reflects fees owed by Boston West to the Company. This claim is an administrative claim in the Boston West Chapter 11 proceeding and is assumed to be 25% recoverable based on the uncertainty relative to the ultimate resolution of those proceedings. The ENBC receivable represents monthly fees and a software reimbursement. No recovery is estimated for the ENBC receivable since the Company's liquidation would likely create a dispute over services rendered in the ENBC contracts.

TABLE I: Accounts Receivable

<i>(\$ in 000s)</i>	<u>Estimated Values</u>	<u>Recovery Percentage (%)</u>	<u>Estimated Recovery Value</u>
Accounts Receivable			
Franchise Royalties	\$160	50%	\$80
Franchise Advertising	200	50%	100
Boston West	44	25%	11
ENBC	904	0%	0
Other	54	0%	0
Total Accounts Receivable	<u>\$1,362</u>	14%	<u>\$191</u>

Note D – Investment in Einstein / Noah Bagel Corp.

The Debtors own approximately 51% or 17.5 million shares of the outstanding shares of ENBC. The market value of the Company's equity ownership is approximately \$10.5 million. Based on the less-than-par trading level of ENBC's publicly traded convertible subordinated debt, the substantial market overhang of the Debtors' ownership in ENBC, the risk to ENBC's operations based on its dependence on the services provided by the Debtors, and the disclosures by ENBC stating that their common shareholders should expect substantial dilution in connection with ENBC's Balance Sheet Restructuring, it is assumed that the Company would realize not more than 30% of the current market value of its ENBC stock in a Chapter 7 liquidation.

Note F - Other Assets

Other Assets largely consist of Prepaid Insurance, Prepaid Sales Tax, Advertising Barter Credits, Deposits and Other non-cash assets (see Table II). Other Assets, with the exception of Advertising Barter Credits, Deposits, and Other Notes Receivables, have been estimated to have no liquidation recovery value.

TABLE II: Other Assets

<i>(\$ in 000s)</i>	<u>Estimated Values</u>	<u>Recovery Percentage (%)</u>	<u>Estimated Recovery Value</u>
Other Assets			
Prepaid Insurance	\$704	0%	\$0
Prepaid Sales Tax	338	0%	0
Advertising Barter Credits	1,015	50%	508
Deposits	1,033	25%	258
Other Notes Receivable	44	25%	11
Other	101	0%	0
Total Other Assets	\$3,235		\$777

Note G – Goodwill and Other Intangibles

The Boston Market and Boston Chicken trade names and related trademarks for use in restaurants are estimated to have a liquidation value of approximately \$2.5 million. This value reflects the use of the trade name in restaurant operations only; H.J. Heinz Company has the exclusive right to use the trade name for non-restaurant purposes.

Note H - Inventory

The total inventory balance as of October 3, 1999 was approximately \$12.4 million. Inventory consists primarily of store-level food and non-alcoholic beverages, supplies and smallwares (see Table III). Such items generally have a short shelf life, are subject to spoilage and pilferage, and may be rendered useless because of unique application to the Debtors' business. Certain items, for health reasons, cannot be resold once placed in a store. As a result, inventory is estimated to have no liquidation value except for smallwares which are expected to have a 10% salvage value.

TABLE III: Inventory

<i>(\$ in 000s)</i>	<u>Estimated Values</u>	<u>Recovery Percentage (%)</u>	<u>Estimated Recovery Value</u>
Inventory			
Proteins	\$738	0%	\$0
Produce	1,594	0%	0
Beverage	524	0%	0
Paper	957	0%	0
Smallwares	8,508	10%	851
Other	122	0%	0
Total Inventory	\$12,443	7%	\$851

Note I – Property, Plant & Equipment

Property, Plant & Equipment consist primarily of owned properties and improvements to leased properties, restaurant equipment, corporate furniture & fixtures, and computers and systems hardware. The property and lease assets include restaurants owned by Platinum Rotisserie LLC, a franchised area developer, because in the event of a liquidation, Platinum would not be capable of funding on-going capital requirements and its locations would be liquidated. Total proceeds from the sale of Property, Plant and Equipment is estimated at \$103.8 million. This section describes the methodology used to estimate the liquidation value of these assets.

Owned Properties:

The Company owns the real estate associated with 179 operating properties (including 11 under Master Leases). These properties were valued by a third party real estate consulting group for the Debtor-in-Possession and 1996 Lenders based on a going concern sale between a willing buyer and seller based on a marketing period of one year or more. The aggregate going concern market value for these properties was estimated at \$103-\$129 million. In order to estimate the potential value of the owned properties under a liquidation scenario, the median market value was discounted by 1) 25% to account for the negative impact on going concern values from the liquidation of properties in a bulk or distressed sales process, 2) 8.5% for transaction costs, and 3) an estimate for carrying costs for properties until they are sold. As shown in Table IV, the net proceeds from the bulk liquidation of the owned properties is estimated at \$73.9 million. Such proceeds are based on the assumption that sufficient Company personnel can be retained to secure the premises in these locations.

Leased Properties:

The Company operates 616 properties pursuant to operating and ground leases. The leased properties were valued by a third party real estate consulting group for the Debtor-in-Possession and 1996 Lenders by comparing the present value of the Debtors' contractual rent to the market rent determined through third party research. Of the approximately 481 operating leased properties, 236 were determined to have positive value before transaction costs or carrying costs. The aggregate market value for these properties was estimated at \$14-\$20 million. To determine a range of value for leased properties under a Chapter 7 scenario, several adjustments were considered. A discount of 25% was applied to the estimated median gross leasehold proceeds to account for the Chapter 7 sale, 8.5% was deducted for transaction costs, and an average of 8.5 months of carrying costs including rent, taxes, utilities, security and basic maintenance were considered. After taking into account these adjustments, 77 stores had residual lease value. As shown in Table IV, proceeds from the bulk liquidation of these leases, net of the Chapter 7 discount transaction and carrying costs, is estimated at \$4.8 million. Such proceeds are based on the assumption that sufficient Company personnel can be retained to secure the premises in these locations.

The Company operates properties encumbered by ground leases for 135 locations. The leased properties were valued by a third party real estate consulting group for the Debtor-in-Possession and 1996 Lenders by comparing the present value of the Debtors' contractual rent to the market rent determined through third party research. The ground leases were evaluated in a similar fashion to the operating leases to determine liquidation value. Of the 135 ground leases, 113 were determined to have positive value before transaction costs or carrying costs. The aggregate market value for these properties was estimated at \$22-\$27 million. After applying a discount to the estimated median gross leasehold proceeds of 25% to account for the Chapter 7 sale, deducting 8.5% for transaction costs, and considering an average of 8.5 months of carrying costs including rent, taxes, utilities, security and basic maintenance, 101 stores had residual lease value. As shown in Table IV, proceeds from the bulk liquidation of these leases, net of the Chapter 7 discount and transaction and carrying costs, is estimated at \$10.7 million. Such proceeds are based on the assumption that sufficient Company personnel can be retained to secure the premises in

these locations.

Closed / Available for Sale Properties:

The Company is currently marketing or has under contract 6 closed / available for sale properties. The Company estimates that net proceeds from the disposition of these properties will be approximately \$3.7 million.

TABLE IV: Store Properties

<i>(\$ in 000s)</i>	Number of Properties with Value	Estimated Recovery Value
Property, Plant & Equipment		
Owned Properties	179	\$73,885
Leased Properties	77	4,762
Ground Lease	101	10,722
Total Operating Properties	357	89,368
Closed / Available for Sale Properties	6	3,715
Total Properties	363	\$93,083

Restaurant Equipment:

Restaurant Equipment includes store equipment and fixtures. Recovery on these assets is estimated based on the results of the recent sale of similar equipment at 280 closed Company stores. The recovery reflects the sale of equipment in all stores that were determined to have leasehold or property value as described in Note I as well as equipment in 25% of the remaining locations. Such proceeds are based on the assumption that sufficient Company personnel can be retained to secure the premises in these locations.

TABLE V: Restaurant Equipment

<i>(\$ in 000s)</i>	Historical Sale Results	Estimated Recovery Value
Restaurant Equipment		
Number of Stores	280	467
Net Average Proceeds per Store	\$5,935	\$5,935
Total Proceeds	\$1,662	\$2,768

Other Corporate Assets:

Other Corporate Assets include corporate furniture and computer equipment. These assets are assumed to have a liquidation value of 10% of book value.

Heinz Contract:

In June 1999, the Company entered into a 10-year License Agreement with the H.J. Heinz Company. This agreement provides Heinz with an exclusive license to use the trademarks of the Debtors' in its business and to market certain food products on a world-wide basis utilizing the Boston Market trademarks, trade names, and certain protected property rights owned by the Debtors. Under this agreement, assuming the normal course operation of the Debtors, Heinz is obligated to pay the Debtors the greater of a Base

Royalty Payment (calculated as a percentage of net sales) and an Annual Minimum Royalty Payment. Heinz may terminate the License Agreement at any time if the Base Royalty Payment is less than the Annual Minimum Royalty Payment and has the right to terminate the agreement in the event of conversion of these cases to a Chapter 7 liquidation, the Debtors liquidate other than on a “going concern” basis, and/or the number of operating restaurants is reduced below 400 within two years of the Effective Date of the License Agreement. Given these contract terms, in the event of a liquidation and closure of the Debtors’ operating restaurants, Heinz is likely to seek to renegotiate the terms of its contract and/or negotiate a lump sum payment to the Debtors in exchange for the right to use the license. The value of the License Agreement, assuming the Minimum Royalty Payment, on a present value basis using a 10% discount rate is estimated at approximately \$10.0 million. The recovery to the Debtors in the event of a liquidation is estimated at \$4.0 to \$6.0 million based on a negotiated settlement.

Note J – Corporate Payroll/Overhead Costs During Liquidation

Corporate payroll and operating costs during liquidation are based upon the assumption that select corporate functions would be required to oversee the Phase I liquidation process, but would be significantly reduced by the end of Phase I. Any remaining corporate functions would phase out over the Phase II wind-down (all retained corporate personnel would be terminated by the end of the first twelve months of the liquidation). The wind-down costs reflect the payment of normal course salaries and benefits as well as severance and, where applicable, accrued retention bonuses to provide incentive to employees with critical knowledge of the operations to remain with the Company as required during the liquidation process. At the store level, the wind-down costs reflect the retention of certain store level employees, managers, and field management for two weeks to orderly close stores. The average cost per store to close and secure the restaurants is approximately \$5,900.

Note K – Chapter 7 Trustee Fees

Chapter 7 Trustee Fees include fees associated with the appointment of a Chapter 7 trustee and associated legal and accounting fees incurred during the liquidation process in accordance with Section 326 of the Bankruptcy Code. Trustee fees are estimated at 3% of gross cash proceeds with a cap of \$3.5 million based upon the carve-out arrangement set forth in the DIP Facility.

Note L – Other Professional Fees

Chapter 7 Professional Fees include legal and accounting fees incurred during the liquidation period.

Note M – Administrative Expenses and Priority Claims

Administrative Expenses and Priority Claims include accrued but unpaid professional fees, payroll and payroll taxes, insurance, sales and property taxes, utilities, contract claims, and other employee costs (see Table VI.). Employee and tax related costs are assumed to be paid prior to distributions to secured creditors. The DIP Facility contains a \$3.5 million carve-out for professional fees and Chapter 7 Trustee fees. The professional fees included herein reflect the maximum amount permitted pursuant to the carve-out arrangement set forth in the DIP Facility, taking into consideration estimated Chapter 7 Trustee fees.

TABLE VI: Administrative Claims

<i>(\$ in 000s)</i>	Estimated Amount
Administrative Claims:	
Professional Fees (DIP Carve-out)	\$99
Accrued Payroll	6,136
Accrued Payroll Taxes	1,796
Accrued Employee Benefits	1,533
Accrued Sales and Use Taxes	4,268
Accrued Property and Real Taxes	7,991
Accrued Utilities	2,410
Third Party Contract Claims	2,800
Management Contracts	3,900
Total Administrative Costs	\$30,933

Note N – Impact of Time Value of Money on Distribution Proceeds

The estimated recovery proceeds are estimated to be realized over an 18-month wind-down period. Accordingly, the estimated cash flows from the liquidation (asset proceeds less wind-down costs and administrative expenses) have been discounted 5% to derive the present value of the net proceeds available for distribution to creditors.

Note O – Debtor-in-Possession Facility, Revolving Line of Credit, and 1996 Master Lease

The Debtors' DIP Facility has a super priority claim on all of the assets of the Company. The DIP Facility balance reflects estimated borrowings as of the liquidation date net of planned asset sales. The DIP Facility is paid in full before distributions to other secured creditors. The Revolving Line of Credit and 1996 Master Lease reflect pre-petition balances; recovery is estimated to be 11%.

Note P – Other Secured and Purchase Money Debt

Other Secured Debt and Purchase Money Secured Debt consists of debt secured by specific properties of the Debtors. Recovery to the Secured Mortgage debt holders is estimated at 100% based on the value of the collateral supporting such obligations. No recovery is reflected for Purchase Money Debt based on the assumption that the security underlying the obligation is expected to be unperfected. Equipment Financing Debt is secured by the fair market value of the equipment in the 10 locations financed by these creditors. Fair market value is based on the estimated equipment recovery detailed in Table V.

Note Q – 1995 Master Lease Facility

The 1995 Master Lease Facility is secured by restaurant equipment in certain of the Debtors' stores. Recovery to the 1995 Master Lease Facility is based on an estimate of the proceeds realized through the sale of similar equipment in closed Boston Market locations. The recovery reflects the sale of equipment in all stores that were determined to have leasehold or property value as described in Note I, as well as equipment in 25% of the remaining locations that comprise the 1995 Master Lease collateral.

Note R – Unsecured Creditors

Unsecured Creditors include pre-petition trade creditors, landlord claims, and unsecured debt. Based upon the estimated recoveries under this hypothetical liquidation scenario, there are no proceeds available to settle allowed unsecured claims.

EXHIBIT E – OFFICERS & DIRECTORS

EXHIBIT E
To Disclosure Statement of
Boston Chicken, Inc. and the
Boston Chicken Affiliates

Officers and Directors of Debtors

Boston Chicken, Inc.

J. Michael Jenkins	Chairman of the Board, President and Chief Executive Officer
M Howard Jacobson	Director
Arnold Greenberg	Director
Peer Pedersen	Director
Michael T. Donovan	Executive Vice President-Operations
Greg Uhing	Senior Vice President and Chief Financial Officer
Amy S. Powers	Senior Vice President and General Counsel
Michael R. Daigle	Senior Vice President and Associate General Counsel
J. Randal Miller	Senior Vice President and Associate General Counsel
Gerard Lewis	Senior Vice President, Research and Product Development
Keith Robinson	Senior Vice President, Marketing
Marie Louise Bahlinger	Vice President and Associate General Counsel
Robert Brickles	Vice President, Operations Development
Chris Dodge	Vice President, Administration
Brian Farris	Vice President, Treasurer/Controller
Dan Fox-Gliessman	Vice President, Systems
Joseph W. Hall	Vice President, Advertising
Robert Karisny	Vice President, Product Development
Peder Kruger	Vice President, Properties and Facilities

Kristine Nelson

Vice President, HR Advocacy/Organizational Development

Steve Scriver

Vice President, Training

BOSTON CHICKEN, INC. AFFILIATES

Limited Liability Companies

Boston Chicken, Inc. is the sole managing member of each of the following limited liability companies. See list of Boston Chicken, Inc. officers and directors.

BC GoldenGate, L.L.C.

BC Great Lakes, L.L.C.

BC Heartland, L.L.C.

BC New York, L.L.C.

BC Superior, L.L.C.

BC Tri-States, L.L.C.

BCI Acquisition Sub, L.L.C.

Finest Foodservice, L.L.C.

P&L Food Services, L.L.C.

Limited Partnerships:

Note: For officers and directors of corporate general partners indicated below, see "Corporations" section.

Mayfair Partners, L.P.

General Partner: BCI Mayfair, Inc.

R&A Food Services, L.P.

General Partner: BCI R&A, Inc.

BC Boston, L.P.

General Partner: BCI Massachusetts, Inc.

BCE West, L.P.

General Partner: BCI West, Inc.

B.C.B.M. Southwest, L.P.

General Partner: BCI Southwest, Inc.

Corporations:

BC Real Estate Investments, Inc.

Directors: J. Michael Jenkins

Greg Uhing

J. Randal Miller

Officers: J. Michael Jenkins

President

Greg Uhing

Sr. Vice President, Treasurer

Amy S. Powers

Sr. Vice President, General Counsel, Secretary

Michael R. Daigle

Sr. Vice President, Asst. General Counsel, Asst. Secretary

J. Randal Miller

Vice President, Asst. General Counsel, Asst. Secretary

Peder Kruger

Vice President

BCI Massachusetts, Inc.

Directors: J. Michael Jenkins

Greg Uhing

Amy S. Powers

Officers: J. Michael Jenkins

President

Greg Uhing

Sr. Vice President, Treasurer

Amy S. Powers

Sr. Vice President, General Counsel, Secretary

Michael R. Daigle

Sr. Vice President, Asst. General Counsel, Asst. Secretary

J. Randal Miller

Vice President, Asst. General Counsel, Asst. Secretary

BCI Mayfair, Inc.

Directors: J. Michael Jenkins

Greg Uhing

J. Randal Miller

Officers:	J. Michael Jenkins	President
	Greg Uhing	Sr. Vice President, Treasurer
	Amy S. Powers	Sr. Vice President, General Counsel, Secretary
	Michael R. Daigle	Sr. Vice President, Asst. General Counsel, Asst. Secretary
	J. Randal Miller	Vice President, Asst. General Counsel, Asst. Secretary

BCI R&A, Inc.

Directors:

J. Michael Jenkins
Greg Uhing
Amy S. Powers

Officers:	J. Michael Jenkins	President
	Greg Uhing	Sr. Vice President, Treasurer
	Amy S. Powers	Sr. Vice President, General Counsel, Secretary
	Michael R. Daigle	Sr. Vice President, Asst. General Counsel, Asst. Secretary
	J. Randal Miller	Vice President, Asst. General Counsel, Asst. Secretary

BCI Southwest, Inc.

Directors:

Greg Uhing
Amy S. Powers
J. Randal Miller

Officers:	Greg Uhing	President, Treasurer
	Amy S. Powers	Sr. Vice President, General Counsel, Secretary
	Michael R. Daigle	Sr. Vice President, Asst. General Counsel, Asst. Secretary
	J. Randal Miller	Vice President, Asst. General Counsel, Asst. Secretary

BCI West, Inc.

Directors: J. Michael Jenkins

Greg Uhing

Amy S. Powers

Officers: J. Michael Jenkins

President

Greg Uhing

Sr. Vice President, Treasurer

Amy S. Powers

Sr. Vice President, General Counsel, Secretary

Michael R. Daigle

Sr. Vice President, Asst. General Counsel, Asst. Secretary

J. Randal Miller

Vice President, Asst. General Counsel, Asst. Secretary

Buffalo P&L Food Services, Inc.

Directors: J. Michael Jenkins

Greg Uhing

Amy S. Powers

Officers: J. Michael Jenkins

President

Greg Uhing

Sr. Vice President, Treasurer

Amy S. Powers

Sr. Vice President, General Counsel, Secretary

Michael R. Daigle

Sr. Vice President, Asst. General Counsel, Asst. Secretary

J. Randal Miller

Vice President, Asst. General Counsel, Asst. Secretary

Mid-Atlantic Restaurant Systems, Inc.

Directors: J. Michael Jenkins

Greg Uhing

J. Randal Miller

Officers: J. Michael Jenkins

President

Greg Uhing

Sr. Vice President, Treasurer

Amy S. Powers

Sr. Vice President, General Counsel, Secretary

Michael R. Daigle

Sr. Vice President, Asst. General Counsel, Asst. Secretary

J. Randal Miller

Vice President, Asst. General Counsel, Asst. Secretary

Progressive Food Concepts, Inc.

Directors: J. Michael Jenkins

Officers: J. Michael Jenkins

President

Greg Uhing

Sr. Vice President, Treasurer

Amy S. Powers

Sr. Vice President, General Counsel, Secretary

Michael R. Daigle

Sr. Vice President, Asst. General Counsel, Asst. Secretary

J. Randal Miller

Asst. Secretary

Paul A. Strasen

Asst. Secretary

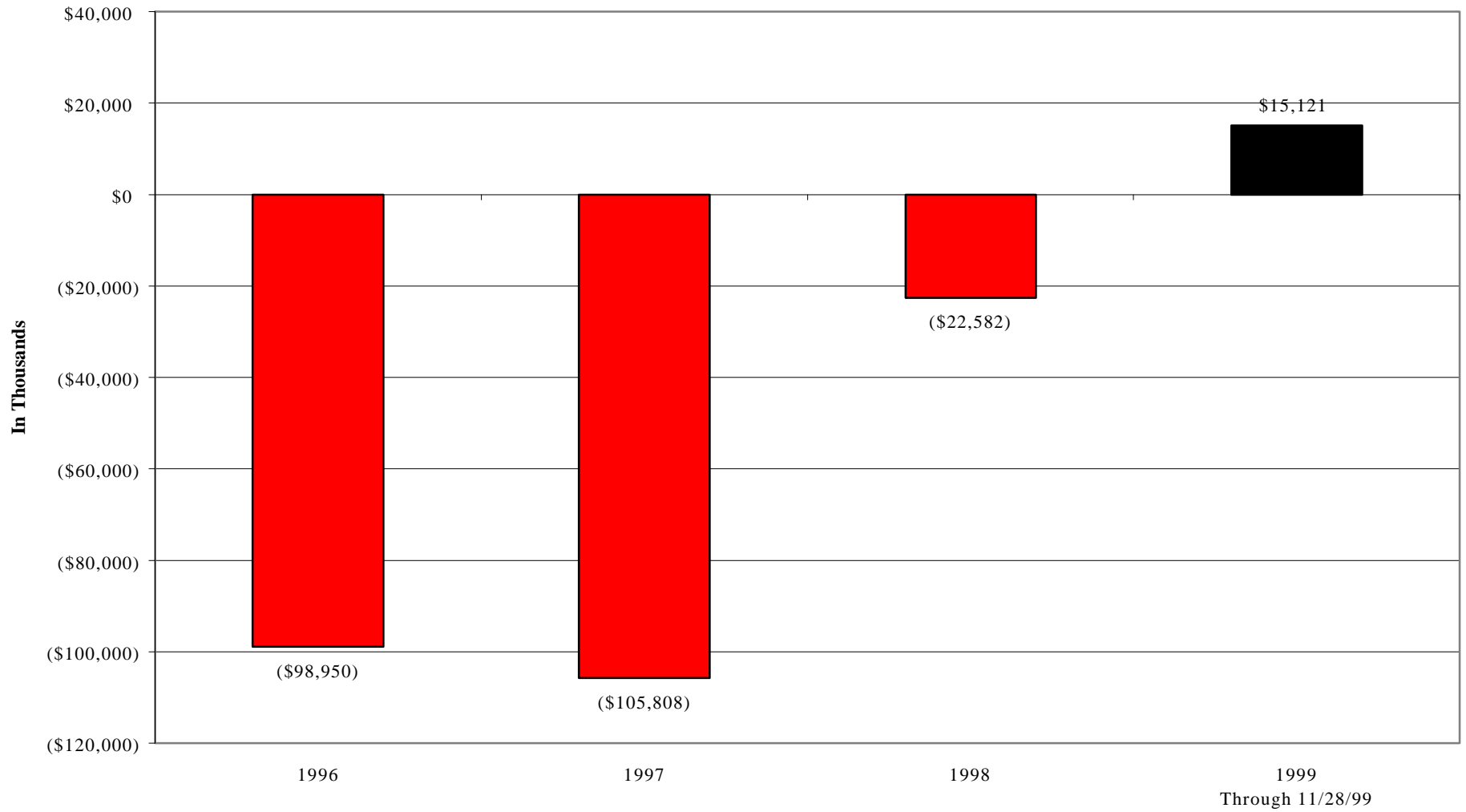
EXHIBIT F – LITIGATION CLAIMS

EXHIBIT G

FINANCIAL PERFORMANCE GRAPHS

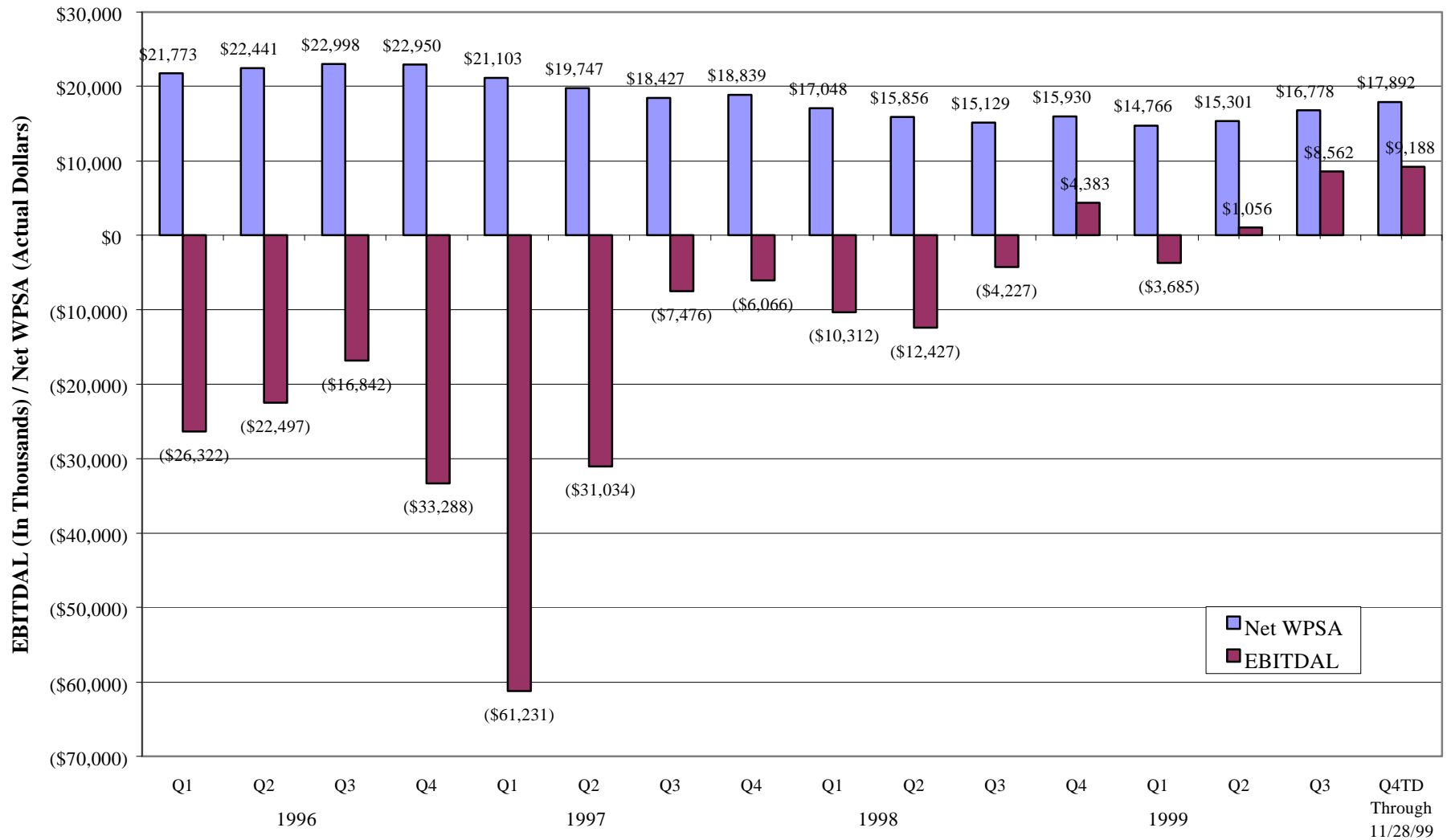
BOSTON MARKET

All Company-Operated Stores EBITDAL



BOSTON MARKET

All Company-Operated Stores Net WPSA & Quarterly EBITDAL



BOSTON MARKET

Net WPSA vs. Prior Year - 792 Stores *

